

FSA Integration Partner
United States Department of Education
Federal Student Aid



**Integrated Partner Management Solution
Requirements Gap Analysis
147.1.2 IPMS Financial Partners Channel
Eligibility & Oversight As-Is Flows**

Task Order #147

Version 1.0 (Rev02)

March 23, 2004



Executive Summary

Introduction

The Department of Education's (ED) Office of Federal Student Aid (FSA) plans to improve upon its current eligibility, enrollment, and oversight processes used to manage Trading Partner entities (i.e., schools, school servicers, lenders, lender servicers, guaranty agencies, private collection agencies, state agencies, federal agencies, accrediting agencies, auditors, and owners) as they administer Title IV Financial Aid to Students. Today, many FSA applications manage these processes which results in duplicate and conflicting data storage, complex system architecture, excessive file exchange activities, and the lack of a centralized view of Trading Partners.

To address these issues, FSA developed the concept of the Integrated Partner Management (IPM) solution. There are several goals associated with the IPM solution including:

- Provide a single entry point for all Trading Partners into the FSA enterprise
- Provide a single comprehensive process for Trading Partner enrollment into all required FSA systems
- Issue a single, enterprise-wide, common identifier for every Trading Partner regardless of Trading Partner affiliation, ownership structure, or type of interaction with FSA
- Utilize a common repository of all Trading Partner data (i.e., the Common Data Architecture) to provide an Integrated Institutional View to internal FSA Systems and external FSA Trading Partners
- Act as the primary source responsible for maintaining Trading Partner data

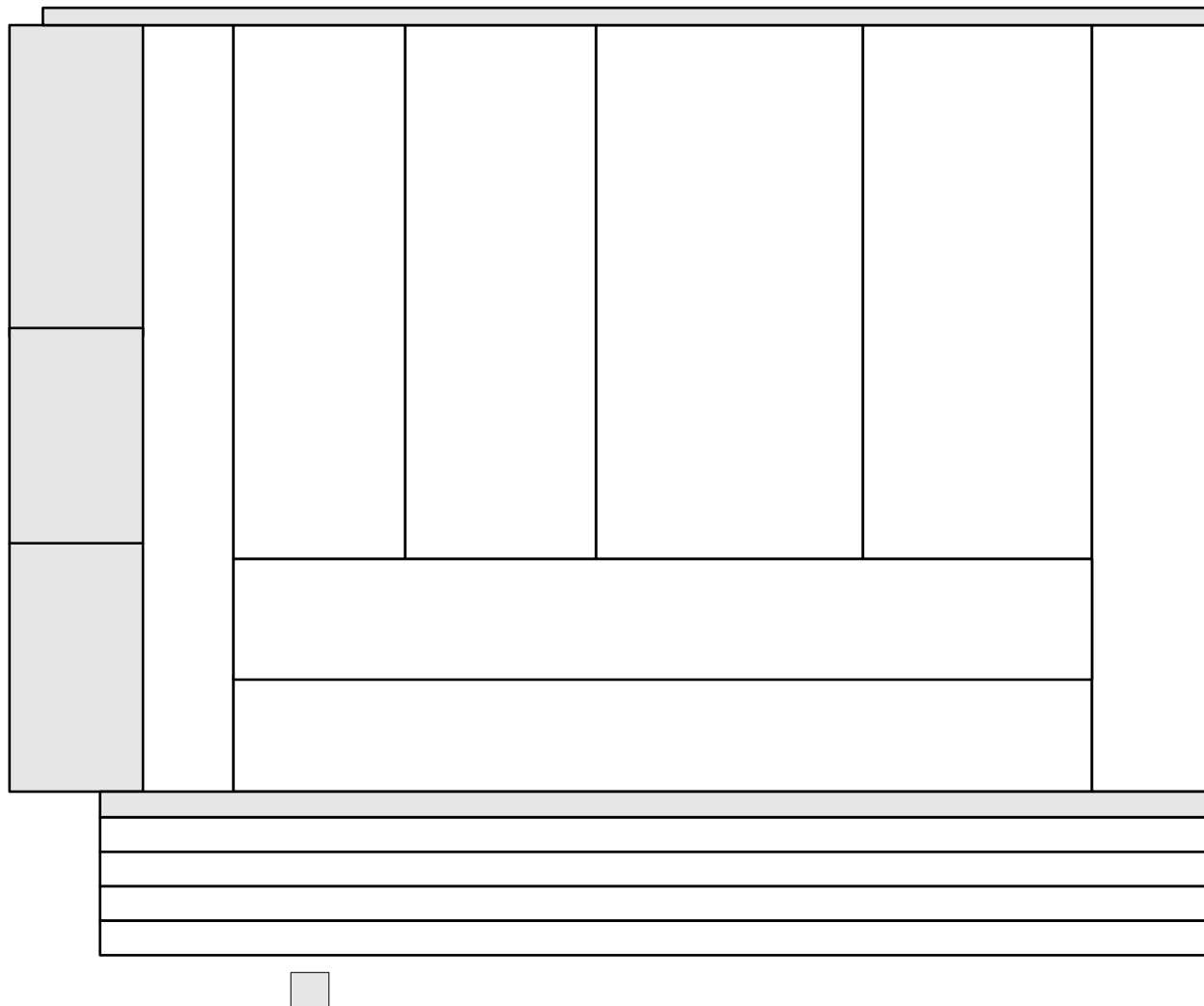
In achieving these goals, FSA will experience a number of benefits, including:

- Streamlined processes for Trading Partners resulting in reduced levels confusion among the Trading Partner community
- Increased data quality of Trading Partner data
- Consistent access to the most up to date Trading Partner data through the Integrated Institutional view resulting in enhanced oversight, maintenance, and management of all FSA Trading Partners



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In order to ensure that the IPM solution meets all of the outlined goals and achieves the resulting benefits, FSA developed a framework to outline the areas necessary to provide a complete solution for managing the oversight, management, and maintenance of its Trading Partners. The following figure illustrates the IPM Framework as defined by FSA.



Several of the areas within the above framework were separately addressed by previous Data Strategy initiatives including the Routing ID (RID), Enrollment and Access Management, and other initiatives such as eCMO, however, other areas were not addressed at all. Therefore, it was determined the need to conduct an Integrated Partner Management Solution (IPMS) Requirements Gap Analysis. Part of this gap analysis includes determining whether financial partners should be included within the IPM solution. Currently, the functional processes related to the areas of eligibility and oversight for financial partners are a proposed component of the IPM Framework based on the assumption that eligibility and oversight processes for schools and financial partners are similar enough to leverage a common solution for both

Enrollment

Management

Integrated

Application

and

Enrollment

Process

Process

Web
Application
Interfaces



groups. By gathering information and documenting the as-is process flows for financial partners and documenting the necessary requirements related to financial partners for the IPM solution, FSA will have the information needed to make the appropriate decision.

Core Processes

In order to understand how Financial Partner Services and its Trading Partners can benefit from the IPM solution, FSA first needed a better understanding of the current-state financial partners' eligibility and oversight business processes. This required a full examination of the following business processes, classified as core processes:

- Lender Enrollment
- Guaranty Agency Enrollment
- Private Collection Agency Participation
- Federal Agency Participation
- Audit and Program Review Processes for Lenders and Guaranty Agencies
- LEAP/SLEAP Award Origination and Disbursement
- Federal Family Education Loan Origination and Disbursement
- Federal Family Education Loan Repayment
- Federal Family Education Loan Transfers
- Direct Loan and Federal Family Education Loan Consolidation
- Federal Family Education Loan Collections
- Federal Family Education Loan Reporting
- Federal Family Education Loan Enrollment Reporting
- Lender Payment Processing
- Guaranty Agency Payment Processing
- Cohort Default Rate Calculations for Lenders and Guaranty Agencies

To conduct examinations of each of the above processes in detail, research was conducted utilizing information from previous efforts, and working sessions were held with key Financial Partner Services Subject Matter Experts (SMEs). This document presents the resulting information through a combination of narratives that describe each process, process flows that illustrate the steps in the process, and data exchange tables that concentrate on how the data flows between different entities or systems during each process. The process of the creation and verification of these flows helped achieve a more complete common understanding of the as-is state of the various Financial Partner Services' business processes. This understanding and the knowledge gained during this effort will serve as the foundation for the next phase, defining the IPM solution's Financial Partners Channel Eligibility & Oversight Requirements (Deliverable 147.1.3).

Next Steps

The next phase of work will focus on gathering the requirements related to eligibility and oversight for financial partners through examination of the as-is state and discussions with key FSA SMEs around gaps that may exist. The resulting Financial Partners Channel Eligibility & Oversight Requirements (Deliverable 147.1.3) in conjunction with the Financial Partners Channel Eligibility & Oversight As-Is Flows will enable the decision as to whether eligibility and oversight processes for financial partners



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logically fit into the IPM solution. In addition, these requirements when taken in conjunction with the Non-Case Management Requirements (Deliverable 147.1.3) will help define the IPM solution.



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Amendment History

DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
2/16/04	All	Document submitted for FSA-wide review	N/A	
2/23/04	2.5.1-2.5.3 Lender Program Reviews Conducted by Guaranty Agency; Pgs. 54-59	Process flows, data exchange tables and narratives amended based on internal team's comments. The decision box for agreement between FP Services and reviewee was moved to after the decision box with findings (step 14). The appeals process was moved to after the Regional Office follow-up box (step 16). A box was added before the Closure letter step for entering findings into PEPS (step 22).	A. Shukla	A. Shukla
2/23/04	2.5.4-2.5.6 Lender/GA Program Reviews Conducted by Financial Partner Services; Pgs. 60-64	Process flows, data exchange tables and narratives amended based on internal team comments. The decision box for agreement between FP Services and reviewee was moved to after the decision box with findings (step 20). The appeals process was moved to after the FP staff follow-up box (step 24).	A. Shukla	A. Shukla
3/1/2004	2.12 FFEL Reporting; Pg. 112	Changed wording in step 1 from "at least monthly" to "at least quarterly." In step 2 spelled out FSA as "Department of Education's (ED) Office of Federal Student Aid (FSA)."	H. Burrs	H. Giles
3/1/2004	2.5.1 Lender Program Reviews Conducted by a GA; Pgs. 54-59	Capitalized Lender in the title Made OIG singular in steps 5-9	H. Burrs	H. Giles



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/1/2004	2.13 FFEL Enrollment Reporting; Pg 112	Put the first mention of the acronym GA in parenthesis Took out wording at the second mention of NSLDS. Changed "with a 60 day period" to "within a 60 day period" in paragraph 2. Changed "GAs will communicate these updates to the lender" to "GAs communicate..."	H. Burrs	H. Giles
3/1/2004	2.11 FFEL Collections; Pg. 100	- Changed steps 18 to 19 to say that subrogation usually occurs in the third or fourth quarter of the fiscal year. - In steps 24 to 25, changed third party servicer to "secondary market"	H. Burrs	H. Giles
3/1/2004	2.10 Direct Loan and FFEL Consolidation; Pg. 89	Changed "DL" in the opening paragraph to "FDLP" and spelled out Federal Direct Loan Program	H. Burrs	H. Giles
3/1/2004	2.6 LEAP/SLEAP Award Origination and Disbursement; Pgs. 77-81	- Added information about the processes for a centralized and a decentralized agency. - Added information about what happens when a state agency misses the deadline for submittal. - In steps 5-7, added that a denial letter is sent to the state agency. - In steps 12-14, added information about unused funds.	G. Gerrans	H. Giles
3/1/2004	2.2 Guaranty Agency Enrollment; Pg. 42	- In steps 1-6, added that a participation agreement form is signed with the Office of the Secretary of Education. - In steps 16-23, added that a DPA must complete training for access to NSLDS.	P. Eliadis	H. Giles



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/1/2004	2.1 Lender Enrollment; Pg 35	In steps 16-23, added that a DPA must complete training for access to NSLDS.	P. Steinhauer and P. Eliadis	H. Giles
3/2/04	2.5.1-2.5.3 Lender Program Reviews Conducted by Guaranty Agency; Pgs. 54-59	<ul style="list-style-type: none"> - Line added to join billing offset box (step 18) to findings entry into PEPS (step 22). - PEPS entry added as comment to step 13. - Comment added to step 21: "liabilities remitted by check." - Step 24 updated to indicate GA performing PEPS entry. 	L. Elrod	A. Shukla
3/2/04	2.5.4-2.5.6 Lender/GA Program Reviews Conducted by Financial Partner Services; Pgs. 60-64	<p>Step 18 updated to include that a copy of the Program Review Report is sent to all Regional Offices.</p> <p>Step 25 updated to indicate that Formal Appeal can go to DC office as well.</p>	L. Elrod	A. Shukla
3/1/04	2.5.7-2.5.9 Lender Annual Compliance Audit; Pgs. 67-70	<p>Made the following updates according to feedback gathered during the Program Review Requirements Meeting for Deliverable 147.1.3 held on 2/25/04:</p> <ul style="list-style-type: none"> - Beginning of process altered to begin with generation of a tracking file and generation of missing audits letters (steps 1-9). - FP Services Regional Office involvement in follow-up process is noted (step 20). - Suspension letter added for unresolved findings (step 25). - If no findings, PEPS data is entered and no letter is sent to the lender (step 14 goes into step 26 instead of step 24). 	N. Harding	A. Shukla



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/1/04	2.5.10-2.5.12 Guaranty Agency Annual Compliance Audit; Pgs. 72-75	Made the following updates according to feedback gathered during the Audit Requirements Meeting for Deliverable 147.1.3 held on 2/27/04: - Step added for drafting of Full Resolution letter (step 11). - If no findings, PEPS data is entered and no letter is sent to the lender (step 8 goes into step 17 instead of step 16).	N. Harding	A. Shukla
3/2/04	2.6 LEAP/SLEAP Award Origination and Disbursement; Pgs. 77-80	Made the following updates according to feedback gathered during the LEAP/SLEAP Meeting for Deliverable 147.1.3 held on 2/20/04: - Removed use of reallocation form from process flow, data exchange table and narrative. The reallocation form is not used by state agencies when they resubmit funds to FP Services.	G. Gerrans	A. Shukla
3/2/04	2.2 Guaranty Agency Enrollment; Pgs. 42-45	Made the following updates according to feedback gathered during the GA Enrollment Meeting for Deliverable 147.1.3 held on 2/23/04: - Included language to capture the participation agreement form that needs to be signed with the Secretary of Education to the narrative and added step 3. - Included step 22 to capture NSLDS online training course, DPAs must undergo to attain NSLDS access. Made respective changes to the data exchange table and narratives.	P. Eliadis	S. Ayeni



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/2/04	2.1 Lender Enrollment; Pgs. 35-39	<p>Made the following updates according to feedback gathered during the Lender Enrollment Meeting for Deliverable 147.1.3 held on 2/20/04:</p> <ul style="list-style-type: none">- Added step 8, which has the following text "FSA CFO personnel communicates denial reasons to the lender."- Included step 22 capturing NSLDS online training course DPAs must undergo to attain NSLDS access.- Updated text in post enrollment update boxes. Made respective changes to the data exchange table and narratives.	A. Roca-Baker	S. Ayeni
3/3/04	2.4 Federal Agency Participation; Pg. 53	<p>Added that the Collections Group interacts with U.S. Postal Service to acquire address updates for borrowers via the Address Change Service and the U.S. Department of Justice to litigate defaulted student loan accounts.</p>	S. Martus	S. Ayeni



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/3/04	2.12 FFEL Reporting; Pgs. 112-115	<p>Made the following updates according to feedback gathered during the FFEL Reporting and Enrollment Reporting Requirements Meeting for Deliverable 147.1.3 held on 2/27/04:</p> <ul style="list-style-type: none"> - Noted that third-party servicers can submit data on behalf of Lenders or GAs. - Added the following paragraph: "FP Services personnel track the submission of the FFEL information by the GAs. Although regulation states that GAs must complete FFEL Reporting at least monthly, GAs can set their submission schedules with NSLDS and choose to submit FFEL data more frequently. If GAs do not submit in accordance with this schedule, FP services contacts them. Monthly, NSLDS provides GAs with a benchmark report to inform them of errors that occurred during their submissions; this information is also available to GAs online." - Noted that some lenders and GAs submit more frequently than they are required. - Added step 2 to the process flow diagram capturing the edits GAs run on FFEL data submitted by Lenders. Updated narrative. - Added an arrow to connect step 8 and step 9. Deleted the endpoint after step 8 (formerly step 7). Updated narrative. 	P. Eliadis, M. Shine, L. Richards, M. Zajicek, L. Elrod	H. Burrs



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/5/04	2.16 Cohort Default Rate Calculations for Lenders and Guaranty Agencies; Pgs. 130-134	<p>Made the following updates to the narrative, data exchange tables, and process flow according to feedback gathered in the CDR Requirements Gathering Session for the Deliverable 147.1.3 held on 2/24/04.</p> <ul style="list-style-type: none">- In step 1, draft CDRs are also manually forwarded to FP Services.- In step 6, lenders and GAs are able to see their rates online, but not all of them do.- In step 8, changed 1-2% to say "significant."- In step 12, changed "August" to "July/ August"- Added a row to the data exchange table to account for the manual transmission of draft CDRs to FP Services.	P. Eliadis, K. Turner	H. Giles



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/7/04	2.15 Guaranty Agency Payment Processing; Pgs. 123-128	<p>Made the following updates to the narrative and process flow according to feedback gathered during the Guaranty Agency Payment Processing Requirements Meeting for Deliverable 147.1.3 held on 3/1/04:</p> <ul style="list-style-type: none">- Replaced "Financial Partners" with "FSA CFO" where appropriate.- Captured that rejection e-mails and invoice approval e-mails are sent to FSA CFO – Accounting (GAR) group and GA (steps 8 and 15 on the process flow).- Made changes to reflect that after GA submits GAFR via file transfer FSA CFO must review the form and accepted it before the data from the form is uploaded to the appropriate accounting modules.	S. Simmons and B. Johnson	M. Dragnic



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/7/04	2.15 Guaranty Agency Payment Processing; Pgs. 123-128	<p>Made the following updates to the narrative and process flow according to feedback gathered during the Guaranty Agency Payment Processing Requirements Meeting for Deliverable 147.1.3 held on 2/26/04:</p> <ul style="list-style-type: none">- Rewrote step 30 on the process flow to state: "NSLDS calculates the outstanding principal balance for open loans."- Added the following comment to step 31: "NSLDS stores loan level detail data and summary level detail data by loan type. This information is stored for audit purposes."- Rewrote step 33 on the process flow to state: "FMS calculates fees based on the summarized detailed data received from NSLDS."	P. Eliadis	M. Dragnic



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/9/04	2.13 FFEL Enrollment Reporting; Pgs. 112-115	<p>Made the following updates according to feedback gathered during the FFEL Reporting and Enrollment Reporting Requirements Meeting for Deliverable 147.1.3 held on 2/27/04:</p> <ul style="list-style-type: none"> - Added text to steps 1 to 3: "FP Services, schools, or a third-party servicer can add students to a schools roster. FP Services adds student records to roster for FFEL recipients based on FFEL information received during FFEL Reporting." - Added text to steps 4 to 7: changed wording from "a warning letter" to "a series of warning letters." Added "Warning letters are not sent to third-party servicers reporting on behalf of a school. When a school uses a servicer to perform Enrollment Reporting, the school is ultimately responsible that the information is reported in an accurate and timely manner." - Added text to steps 13 to 15: "GAs are required to report this information to lenders quarterly, but many report more frequently (i.e., weekly). Lenders use enrollment information received from GAs to determine when a borrower's repayment process should begin." Updated Frequency in data exchange table accordingly. - Removed last row in the data exchange table that mentioned Lender/Guaranty Agency getting student status changes directly from Schools. 	Pam Eliadis, Martha Shine, Leslie Richards, Mercedes Zajicek, Linda Elrod	H. Burrs



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/10/04	2.3 Private Collection Agency Participation; Pg. 50	Retitled process from "Private Collection Agency Enrollment" to "Private Collection Agency Participation"	S. Wheeler	A. Shukla
3/10/04	2.4 Federal Agency Participation; Pg. 53	Retitled process from "Federal Agency Enrollment" to "Federal Agency Participation"	S. Wheeler	A. Shukla
3/10/04	2.4 Federal Agency Participation; Pg. 53	Removed reference to MOU as a Federal mandate. Changed MOU to DCIA as mandate for TOP participation.	S. Wheeler	A. Shukla
3/10/04	2.9 Federal Family Education Loan Transfers; Pg. 88	Made the following changes based on feedback received on the 147.1.3 deliverable: Added that FFELs are transferred "either through loan sales or for administrative reasons" and that guarantee transfers occur "in a few cases."	S. Ferraiolo	H. Burrs
3/10/04	2.10 Direct Loan and FFEL Consolidation; Pg. 89	Reworded the following sentence: "There is only one type of Federal Consolidation Loan, but a portion of it may be subsidized." Changed to: "There are Subsidized and Unsubsidized Federal Consolidation Loans (FFEL PLUS Consolidations are included in the Unsubsidized category)."	H. Burrs	H. Burrs
3/10/04	2.11 FFEL Collections; Pg. 100	Added the following text: "The claim payment process for FISL loans differs from that of FFEL loans. FSA directly receives, reviews, approves, and pays FISL Claims to lenders whereas Guaranty Agencies receive, review, approve and pay FFEL claims to lenders."	S. Martus	H. Burrs
3/10/04	2.11 FFEL Collections; Pg. 100	Changed "Collection Retention Fee" to "guaranty agency retention allowance" based on feedback on the 147.1.3 deliverable.	S. Ferraiolo	H. Burrs



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/22/04	2.5.4 Lender/GA Program Reviews Conducted by Financial Partner Services; Pgs. 60-64	Added VFA Reviews and EP Reviews to GA On-Site Review list. Added CRI and QC Reviews to Lender On-Site Review list.	R. Russo	A. Shukla
3/22/04	2.5.1 Lendee Program Review Conducted by Guaranty Agency Overview; Pgs. 54	<p>Replaced "contingency" on first line with "Department of Education's (ED) regulation" and added specific reference to regulation 34 CFR 682.410(c)(1).</p> <p>Added the following statement to Steps 10 to 17: "Depending on the region, PEPS entries could be made before a review is conducted (e.g., either when it is scheduled or as far in advance as possible) or after it has been conducted. Entering data into PEPS before the review helps others scheduling a review to know before hand when a review will be conducted."</p>	S. Ferrairole	A. Shukla
3/22/04	2.5.4 Lender/GA Program Reviews Conducted by Financial Partner Services; Pg. 60-64	<p>Removed reference to narrow scope reviews only being conducted during Desk Reviews. Added reference to scope being narrow and full-blown, and adding example of close-outs, and portfolios under \$100k.</p> <p>"Limited Scope Review" changed to "Focused Scope Review" under types of GA On-Site Reviews.</p> <p>Sentence added indicating "Lender Review Guide" as basis of structure of all comprehensive lender and servicer reviews.</p>	S. Ferrairole	A. Shukla
3/22/04	2.1.1 Lender Enrollment Overview; Pg. 35	Replaced "Some" with "The" in the third sentence of the first paragraph.	A. Roca-Baker	S. Ayeni



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/22/04	2.4.1 Federal Agency Participation Overview; Pg. 53	Replaced word "inactivations", in the second paragraph, with "deactivations".	A. Roca-Baker	M. Dragnic
3/22/04	2.9.1 Federal Family Education Loan Transfers Overview; Pg. 88	Wording changes in the second paragraph.	A. Roca-Baker	M. Dragnic
3/22/04	2.10.1 Direct Loan and FFEL Consolidation Overview; Pg. 89	Add wording to explain that the borrower must submit a combination application and promissory note either online or by paper. Replaced "Paid due to consolidation" with "Paid in full through consolidation".	A. Roca-Baker	M. Dragnic
3/22/04	2.14.1 Lender Payment Processing Overview; Pg. 116	Made the following changes: - In the fourth paragraph, deleted word "payments" after "ED pays special allowance". - In the fifth paragraph, deleted word "treatment" after "federal reinsurance"; deleted word "payments" after "special allowance"; added wording "failure to perform due diligence".	A. Roca-Baker	M. Dragnic
3/22/2004	2.1.2 Lender Enrollment Process Flow; Pg 38	Deleted steps 10, 12, and 14, as a result renumbered steps 9 through 22. Added text to step 3: FSA CFO creates LID in FMS.	Angela Roca-Baker	S. Ayeni



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/22/2004	2.1.1 Lender Enrollment Overview; Pg 36	<p>Deleted in step 1 to 4 text “sends an email notifying FSA CFO of the duplicate, and discrepancies.”</p> <p>Deleted in step 5 text “It the lender’s information is accepted, FSA CFO receives an approval notification from FP Services.”</p> <p>Deleted in step 10 to 11 text “FSA CFO representative manually updates the Postsecondary Education Participants System (PEPS) with the lender’s eligibility information. After the updates are made, PEPS suffixes the LID with ‘00’ to make its six digit compatible with the eight digit of the Office of Post secondary Education ID (OPEID)</p>	Angela Roca-Baker	S. Ayeni
3/22/2004	2.10 Direct Loan and FFEL Consolidation; Pg 89	Updated the fourth paragraph in the overview section to include the following sentences: The consolidation of Direct Loans into FFEL Consolidation loans in an industry practice not necessarily supported by regulation or statute. At the very minimum, a FFEL lender cannot consolidate direct loans for a borrower unless it is the holder of one of the borrower’s FFEL loans.	S. Ferraiole	H. Burrs



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3/22/04	2.1 Lender Enrollment Process Flow; Pg. 38	<p>Deleted from step 12 text "to start the enrollment process. An FSA CFO representative sends an email to the lender to enroll in Participation Management. This email contains information about the various systems the lender will need to access."</p> <p>Deleted from "Enrollment Updates" the text:</p> <ul style="list-style-type: none">- Demographic updates are made to SAIG via thr Participation Management system.- A signature page is required if the amendments are for a new DPA or CEO. <p>Added to "Enrollment Updates" the text:</p> <ul style="list-style-type: none">- The lender performs post enrollment via email, fax or directly on the FMS website.- Otherwise the lender can update FMS independent of contacting FSA.- Changes to bank accounts must be sent to FSA for updates.	Angela Roca-Baker	S. Ayeni



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DATE	SECTION/ PAGE	DESCRIPTION	REQUESTED BY	MADE BY
3/22/04	Appendix A: Glossary of Terms; Pg. 136	Made the following changes: <ul style="list-style-type: none">- Rewrote the definition of Accounts Payable- Rewrote the definition of Accounts Receivable- Added wording to the definition of Debt Management Collection System- Added wording to the definition of LaRS- Rewrote the definition of Lender Identifier (LID)- Rewrote the definition of Memorandum of Understanding (MOU)- Rewrote the definition of Organization Participation Agreement (OPA)- Rewrote the definition of Student Loan Marketing Association (SLMA)	A. Roca-Baker	M. Dragnic
3/22/04	2.5.6 Lender/GA Program Reviews Conducted by Financial Partner Services Data Exchange Table; Pg. 64	Replaced "Annually" under Frequency column for second row of data table with "Ad hoc."	S. Ferraiolo	A. Shukla



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1 Introduction

1.1 Background

The Department of Education's (ED) Office of Federal Student Aid (FSA) is seeking to deliver overall improvements in the oversight, management, and maintenance of its Trading Partners (i.e., schools, school servicers, lenders, lender servicers, guaranty agencies, private collection agencies, state agencies, federal agencies, accrediting agencies, auditors, and owners). FSA currently manages information regarding the identification and interactions of its Trading Partners through a combination of the Postsecondary Education Participants System (PEPS) and other Title IV delivery systems. This method impedes FSA from having a holistic view of its Trading Partners across the enterprise. In order to address this, FSA has developed the concept of the Integrated Partner Management (IPM) solution. This solution is envisioned as the future state entry point for Trading Partners within FSA's business process lifecycle.

As defined in the Data Strategy Target State Vision of the Data Framework Specification (Deliverable 123.1.4), the IPM Business Capability Area includes functions that deal with the enrollment, eligibility, and oversight of FSA's Trading Partners. Each Trading Partner entity must apply to participate in Title IV programs and be deemed eligible to do so. The IPM solution serves as the common point for this process. The IPM solution also provides the capability for the Trading Partners to initially enroll in FSA services and make subsequent enrollment change requests.

Once accepted, Trading Partners are overseen by FSA to ensure that they remain compliant and eligible. In order to monitor the partners, the IPM solution processes an institution's financial statements and audits, receives eligibility changes from accrediting agencies, and initiates a Shared Function to calculate Cohort Default Rates (CDRs). The IPM solution also handles the partners' periodic, required recertification. As the partners are monitored, updates are made to their risk scores, funding methods, and funding controls, and case triggers are initiated. The distribution of the institutions' eligibility and review information is a Shared Function, available to FSA and those responsible for Trading Partner oversight.



Integrated Partner Management Solution Requirements Gap Analysis Financial Partners Channel As-Is Flows

In order to help define the IPM solution, FSA developed a framework to outline the areas necessary to provide a complete solution for managing the oversight, management and maintenance of its Trading Partners. The following figure illustrates the IPM framework as defined by FSA.

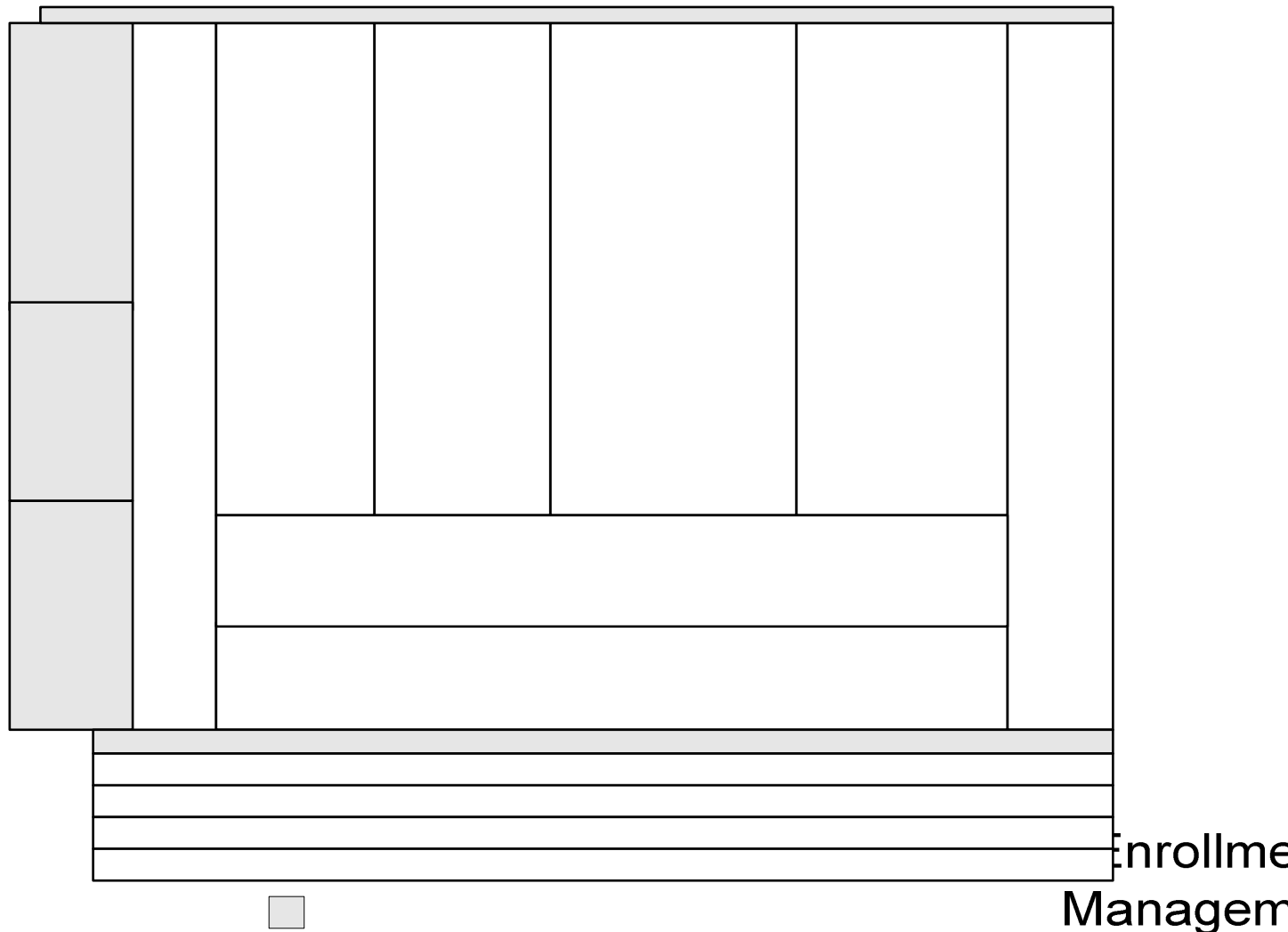


Figure 1: FSA Integrated Partner Management (IPM) Framework

As can be seen in Figure 1: FSA Integrated Partner Management (IPM) Framework above, there are several functions and processes that comprise the core of the IPM solution including:

- Integrated View Services
- Enrollment Management
- Eligibility Management
- School On-Going Oversight
- Financial Partner On-Going Oversight
- Enterprise Routing Identifier (RI) Services
- Profile & Demographics Management



- Access Management

There are other functions, processes, and customer touch points that will reside outside of the actual IPM solution since they will exist at the enterprise level rather than for the IPM solution alone. It is important to note that while these functions, processes, and customer touch points may not reside within the core of the IPM solution, a high level of integration will be necessary between the IPM solution and these functions, processes, and customer touch points. Without such integration, the IPM solution will not meet the objective of providing a holistic solution to manage the oversight, management, and maintenance of all Trading Partners within the FSA enterprise. Such functions, processes, and customer touch points include the following:

- Web Application Interfaces
- Portals
- FSA Gateway
- Customer Support
- Workflow & Document Management
- Reporting & Audit Services
- Enterprise Analytics
- FSA; Other Government Agencies

Several of the functions and processes that make up the core of the IPM solution have already been addressed by previous Data Strategy initiatives such as Routing ID (RID), Enrollment, and Access Management, and other initiatives such as eCMO. In addition, several of the non-core functions, processes, and customer touch points such as Portals, the FSA Gateway, and Workflow & Document Management have also been addressed by previous Data Strategy initiatives and other initiatives such as eCMO. The remaining functions and business processes, however, have not been addressed. In order to address these as well as identify if anything is missing from the IPM Framework, FSA created a task order for performing an Integrated Partner Management Solution (IPMS) Requirements Gap Analysis.

This document addresses the current-state business processes that fall within the eligibility and oversight phases of the Financial Aid Lifecycle for financial partners. It will be used as a starting point for gathering and documenting the Financial Partners Channel Eligibility & Oversight Requirements (Deliverable 147.1.3) that when, considered together with the Non-Case Management Requirements, (Deliverable 147.1.1), will help define the IPM solution.

1.2 Scope

This document covers work defined in Task Order 147 related to documenting current-state business processes that fall within the eligibility and oversight management phases of the Financial Aid Lifecycle for financial partners. This required a full examination of the following business processes, classified as core processes:

- Lender Enrollment
- Guaranty Agency Enrollment
- Private Collection Agency Participation



- Federal Agency Participation
- Audit and Program Review Processes for Lenders and Guaranty Agencies
- LEAP/SLEAP Award Origination and Disbursement
- Federal Family Education Loan Origination and Disbursement
- Federal Family Education Loan Repayment
- Federal Family Education Loan Transfers
- Direct Loan and Federal Family Education Loan Consolidation
- Federal Family Education Loan Collections
- Federal Family Education Loan Reporting
- Federal Family Education Loan Enrollment Reporting
- Lender Payment Processing
- Guaranty Agency Payment Processing
- Cohort Default Rate Calculations for Lenders and Guaranty Agencies

These core processes were identified based on knowledge gathered during previous Financial Partner Services related initiatives and validated during an initial meeting with Financial Partner Services Client Sponsor. It is important to note that the core processes do not encompass all Financial Partners' business functions. The intent is to highlight areas key to the eligibility and oversight of financial partners during the administration of Title IV Aid.

This deliverable does not attempt to prescribe future-state processes, nor does it define financial partners related requirements for the IPM solution. The objective is to capture the core processes listed above as they currently occur. These core processes, however, will form the basis for documenting upcoming the Financial Partners Channel Eligibility & Oversight Requirements (Deliverable 147.1.3). Each process will be analyzed to understand what the Financial Partner Services group needs in order to be able to do their job as well as the barriers they encounter.

1.3 Methodology

An iterative approach was employed to develop the Financial Partner's Channel Eligibility & Oversight As-Is Flows. The list of core processes to be analyzed as well as Subject Matter Experts (SMEs) for each topic were determined in an initial meeting with the Financial Partner Services Client Sponsor. Meetings were arranged by topic and were held with the designated SMEs. Whenever possible, initial drafts of the process flows were created using information from previous enterprise initiatives and brought to the meetings to guide the discussions. After each meeting, the information obtained was consolidated in the format of narratives, process flows, and data exchange tables. These narratives, process flows, and data exchange tables were then returned to the meeting attendees for verification. There were several informal follow-up discussions with SMEs as needed in order to finalize all components of the documentation. The following chart summarizes key information for each formal meeting held, including the meeting name, date, topics covered, and meeting participants.



Integrated Partner Management Solution Requirements Gap Analysis Financial Partners Channel As-Is Flows

Meeting Name	Date	Topics Covered	Meeting Participants
Integrated Partner Management Solution (IPMS) Analysis Kickoff Meeting	11/24/2003	<ul style="list-style-type: none"> • IPMS Overview • Who, What, When, How and Why of the IPMS Gap Analysis • IPMS Framework • Routing ID (RID) Initiative and Work Completed to Date • Enrollment and Access Management Initiative and Work Completed to Date • eCMO Initiative and Work Completed to Date • Next Steps 	<ul style="list-style-type: none"> • Dena Bates • Heather Burrs • Dick Coppage • Maja Dragnic • Matt Fontana • Roger Hartmuller • Paul Hill • Whitney Hoffman • Jane Holman • Michaelyn Milidantri • Jeanne Saunders • Anshu Shukla • Frank Southfield • Jeanne Ward • Molly Wyatt
Integrated Partner Management Solution (IPMS) Financial Partner Preliminary Meeting	12/15/2003	<ul style="list-style-type: none"> • Identified topics that need to be covered in the Financial Partners Channel Eligibility and Oversight As-Is Flows • Identified SMEs for each topic 	<ul style="list-style-type: none"> • Heather Burrs • Maja Dragnic • Matt Fontana • Jeanne Ward
Cohort Default Rate Calculations	12/22/2003	<ul style="list-style-type: none"> • Documented processes for calculating Cohort Default Rates for lenders and guaranty agencies 	<ul style="list-style-type: none"> • Heather Burrs • Maja Dragnic • Pam Eliadis • Whitney Hoffman • Katrina Turner • Jeanne Ward
Lender Partner Payment Processing	1/6/2004	<ul style="list-style-type: none"> • Documented process for lender payment processing 	<ul style="list-style-type: none"> • Heather Burrs • Tim Cameron • Maja Dragnic • Whitney Hoffman • Frank Ramos • Angela Roca-Baker • Jeanne Ward • Calvin Whitaker



**Integrated Partner Management Solution
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Meeting Name	Date	Topics Covered	Meeting Participants
Direct and FFEL Loan Consolidation	1/7/2004	<ul style="list-style-type: none"> Documented process for Direct Loan Consolidations involving a FFEL Loan Documented process for FFEL Loan Consolidations involving a Direct Loan 	<ul style="list-style-type: none"> Heather Burrs Maja Dragnic Pam Eliadis Denise Leifeste Valerie Sherrer
Lender Application and Enrollment	1/8/2004	<ul style="list-style-type: none"> Documented processes for lender application and enrollment 	<ul style="list-style-type: none"> Sean Ayeni Bruce Bruning Maja Dragnic Pam Eliadis Gregory James Paul Steinhauer Calvin Whitaker
Guaranty Agency Partner Payment Processing	1/12/2004	<ul style="list-style-type: none"> Documented processes for guaranty agency payment processing 	<ul style="list-style-type: none"> Sean Ayeni Maja Dragnic Pam Eliadis Frank Ramos Sandra Simmons Jeanne Ward Calvin Whitaker Calvin Whitaker
FFEL Origination & Disbursement, FFEL Reporting, and FFEL Repayment	1/13/2004	<ul style="list-style-type: none"> Documented processes for FFEL Loan Reporting and Enrollment Reporting 	<ul style="list-style-type: none"> Sean Ayeni Heather Burrs Pam Eliadis Valerie Sherrer Jeanne Ward Calvin Whitaker
Guaranty Agency Application and Enrollment	1/15/2004	<ul style="list-style-type: none"> Documented guaranty agency application and enrollment process 	<ul style="list-style-type: none"> Sean Ayeni Bruce Bruning Tim Cameron Maja Dragnic Paul Hill Gregory James Frank Ramos Valerie Sherrer Molly Wyatt Calvin Whitaker



**Integrated Partner Management Solution
Requirements Gap Analysis
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Meeting Name	Date	Topics Covered	Meeting Participants
Lender Audit Process/Program Reviews/National Reviews & Guaranty Agency Audit Process/Program Reviews/National Reviews	1/15/2004	<ul style="list-style-type: none"> Documented lender annual compliance audit process Documented guaranty agency annual compliance audit process Documented process for lender program review conducted by guaranty agency Documented process for guaranty agency and lender program review conducted by partner services 	<ul style="list-style-type: none"> Heather Burrs Tim Cameron Maja Dragnic Nettie Harding Katrina Turner Anshu Shukla Jeanne Ward Calvin Whitaker
FFEL Award Collections and FFEL Award Delinquency	1/20/2004	<ul style="list-style-type: none"> Documented current process for FFEL Loan Collections 	<ul style="list-style-type: none"> Nettie Harding Steve Martus Valerie Sherrer Calvin Whitaker
State Agency Enrollment & LEAP/SLEAP Award Origination and Disbursement	1/21/2004	<ul style="list-style-type: none"> Documented State Agency Application and Enrollment Processes Documented LEAP/SLEAP Award Origination and Disbursement Processes 	<ul style="list-style-type: none"> Sean Ayeni Bruce Bruning Greg Gerrans Anshu Shukla Mike Sutphin Calvin Whitaker Molly Wyatt
Private Collection Agency Participation	1/22/2004	<ul style="list-style-type: none"> Documented PCA Contract Approval Process Initial PCA Participation and Contact Renewals Federal Agency involvement with collections Federal Agency Participation 	<ul style="list-style-type: none"> Whitney Hoffman Anshu Shukla Shirley Wheeler

Table 1: Financial Partners Channel Eligibility & Oversight As-Is Flows Meetings Held

All comments, suggestions, and updates made during the meeting were noted, researched further, and incorporated into the overall Financial Partners Channel Eligibility & Oversight As-Is Flows.



1.4 Assumptions

Through the process of documenting the Financial Partners Channel Eligibility & Oversight As-Is Flows, several assumptions were made. The assumptions are as follows:

- During previous Data Strategy efforts, Integrated Partner Management (IPM) was referred to as Trading Partner Management (TPM).
- The Financial Partners Channel Eligibility & Oversight As-Is Flows focuses on FSA related processes (i.e., flows where FSA has no significant role are not included).
- The Financial Partners Channel Eligibility & Oversight As-Is Flows focuses on the as-is processes rather than to-be processes.
- Trading Partners are defined as those business entities that routinely do business with FSA through direct or indirect system interfaces. Additional Trading Partners may be added to this list as warranted by future discussions; however, the initial list of FSA Trading Partners has been identified as follows:
 - Schools
 - School Servicers
 - Lenders
 - Lender Servicers
 - Guaranty Agencies
 - Private Collection Agencies (PCAs)
 - State Agencies
 - Federal Agencies
 - Accrediting Agencies
 - Auditors
 - Owners
- The Common Services for Borrowers (CSB) solution will incorporate the functionality of the Direct Loan Servicing System (DLSS), Direct Loan Consolidation System (DLCS), Debt Management Collection System (DMCS), and Conditional Disability Discharge Tracking System (CDDTS). Although the CSB solution will be implemented in the near future, individual system names are used to capture current functionality.
- The decision as to whether to include Financial Partners within the IPM solution will be made following the development of the Financial Partners Channel Eligibility & Oversight Requirements, (Deliverable 147.1.3).
- Input from Financial Partner Services Regional Offices was limited to the following processes: Audits and Program Reviews for Lenders and Guaranty Agencies.



2 Core Processes

The following sections provide an illustrative description of the current-state financial partners' eligibility and oversight business processes examined. As discussed in Section 1.2 – Scope, these core processes were identified using knowledge gathered during previous Financial Partner Services related initiatives and then validated by the Financial Partner Services Client Sponsor. The core processes are discussed within the following sections and each section may be comprised of three components:

- Overview (Narrative) – This component includes a high-level explanation of the business process. This component also includes a detailed explanation of the process steps for core processes that contain a process flow.
- Process Flow – This component illustrates the core process with a process flow diagram. This diagram includes steps, decision points, and notifications or correspondence. For the most part, the steps are sequential, but certain steps occur simultaneously throughout the process. These exceptions are noted as needed.
- Data Exchange Table – This component includes the data exchanged during the business process. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any additional details surrounding the transfer, and the corresponding process flow step during which the transfer occurs.

Most core processes include all three of the above components, but there are a few exceptions. For example, the Federal Family Education Loan Origination & Disbursement, Federal Family Education Loan Repayment, and Federal Family Education Loan Transfer processes are executed with little direct participation by the Department of Education (ED), but are scrutinized during the Audit and Program Review Processes for lenders and guaranty agencies. As such, a process flow and data exchange table is not included, but a detailed explanation of the process is provided. Other processes (i.e., PCA Participation and Federal Agency Participation) did not lend themselves to the process flow/data exchange table format, so are captured with an overview only.



2.1 Lender Enrollment

2.1.1 Lender Enrollment Overview

Lenders participate in the Department of Education (ED) student aid process by administering and disbursing Federal Family Education Loans (FFEL) to borrowers. Approximately 3,600 lender organizations conduct business with ED's Office of Federal Student Aid (FSA). The majority of lenders use third-party servicers to administer FFELs on their behalf; third-party servicers must undergo an enrollment process similar to that of lenders. To perform this function, lenders must enroll with ED and meet the requirements defined by the Higher Education Act of 1965, as amended. The enrollment process, as documented in section 2.1.2 – Lender Enrollment Process Flow, outlines the steps by which lenders apply to become eligible for Title IV programs. This process also illustrates the steps necessary for lenders to obtain documentation and a TG number (TG#) required to exchange information on the Student Aid Internet Gateway (SAIG). This process encompasses three major parts:

- Title IV enrollment, which enables lenders' requests for participation as financial partners with FSA.
- Participation Management enrollment allows a lender obtain a mailbox on the SAIG, and enables communication access to required FSA systems.
- "Other enrollment" involves the remaining steps needed for a lender to attain access to required FSA systems.

A lender initiates the enrollment process by contacting a guaranty agency (GA) to request participation as a financial partner. The GA then requests for participation on behalf of the lender from ED. The office of FSA's Chief Financial Officer receives the request, creates a lender ID (LID), and e-mails it to the lender. The lender uses the LID to fill out the Lender Application Process (LAP) form, Organization Participation Agreement (OPA), and Lender Reporting System (LaRS) security forms.

Prospective lenders use the LAP form to complete enrollment in Title IV programs. To use the LAP form, the Destination Point Administrator (DPA) of the lender organization, who is the point of contact, enters the LID and Federal Taxpayer Identification Number (TIN) to access the LAP online. DPA then enters the required demographic data and either submits the data online or mails the completed form to FSA. Once the LAP is submitted, it is converted to read-only. Upon approval by FSA CFO, the data is converted into LaRS.

The OPA form is a legally binding document between the lender organization and ED. Completing the OPA allows the lender to exchange information electronically with FSA's Financial Management System (FMS). FMS requires the submission of the OPA and the LaRS/FMS security form before the lender obtains FMS access.

The following series of steps refer to Figure 2: Lender Enrollment Process Flow. For more information, please refer to Section 2.1.2 – Lender Enrollment Process Flow.

Steps 1 to 4: Participation Request and LID Creation



To begin the enrollment process, the lender contacts the GA verbally or in writing to request participation as a financial partner with FSA. The GA contacts FSA on behalf of the lender, requesting a new LID from FSA CFO. FSA CFO verifies that the TIN does not exist in the system. If the TIN exists, FSA CFO and the GA determine if the lender had a prior identification number or if this is a discrepancy in the information that was provided to the GA. If a duplicate TIN does not exist, FSA CFO creates the LID in FMS, and an email is automatically generated to the lender.

Step 5: OPA and FMS Security Forms

The email sent to the lender by FMS contains information regarding the location of the documents that must be completed before FMS approval is granted. The DPA from the lender's organization downloads the OPA and LaRS/FMS security forms and completes the requested information. Once completed, the forms are mailed to FSA CFO. FSA CFO reviews the forms to verify that the LID, TIN, and general information provided by the lender are appropriate.

Steps 6 to 9: LAP Forms Submission and Approval

The DPA completes the LAP online or paper form to FSA CFO for processing. If the information entered is insufficient or erroneous, FSA CFO sends an automatically generated rejection letter identifying the problems to the lender. If the lender's information was accepted, FSA CFO approves the LAP.

Steps 10 to 11: FMS Confirmation via Email and Updates

Upon approval, FMS sends a confirmation email to the lender notifying them of approval. FMS automatically updates the LaRS database and National Student Loan Data System (NSLDS). NSLDS then sends enrollment updates to the Participation Management system based on the information received from FMS.

Steps 12: Participation Management Enrollment via SAIG Enrollment website

A lender must establish a SAIG mailbox in order to exchange information electronically with FSA. The Participation Management system is the application that facilitates SAIG enrollment. This system interfaces with the SAIG network; the DPA from the lender organization uses the forms on the SAIG enrollment website to enroll. Systems needed by the lender to function as a financial partner are LaRS and NSLDS Online. Access to the LaRS system is needed for demographic updates and for lender reporting. NSLDS online access is needed for file transfer monitoring, retrieving roster files within FSA systems, and default servicing. To enroll, the lender follows the steps as outlined on the SAIG enrollment website. After enrollment completion, a signature page is printed out for the Chief Executive Officer (CEO) and DPA of the lender organization to sign and submit via mail.

Steps 13 to 20: Participation Management Processing and Mailbox Access

After submission, Participation Management personnel process the information by manually scanning any paper forms and submitting the new lender data to SAIG. SAIG updates NSLDS and LaRS with the lender's enrollment confirmation. Next, SAIG creates a mailbox and sends the mailbox TG# and access instructions to the lender. The TG# is a mailbox ID; it serves as the lender identification on the SAIG network. To access NSLDS, the DPA must complete an online training course. Once completed, NSLDS mails the access information to the lender and the



DPA downloads Data Prep, software used to exchange data with NSLDS. In addition, to activate the SAIG mailbox, the DPA needs to download software from the FSA download site. This software can be TDClient or Edconn32, depending on whether the lender uses a mainframe or Microsoft Windows system.

Steps 21 to 22: “Other Systems” Enrollment

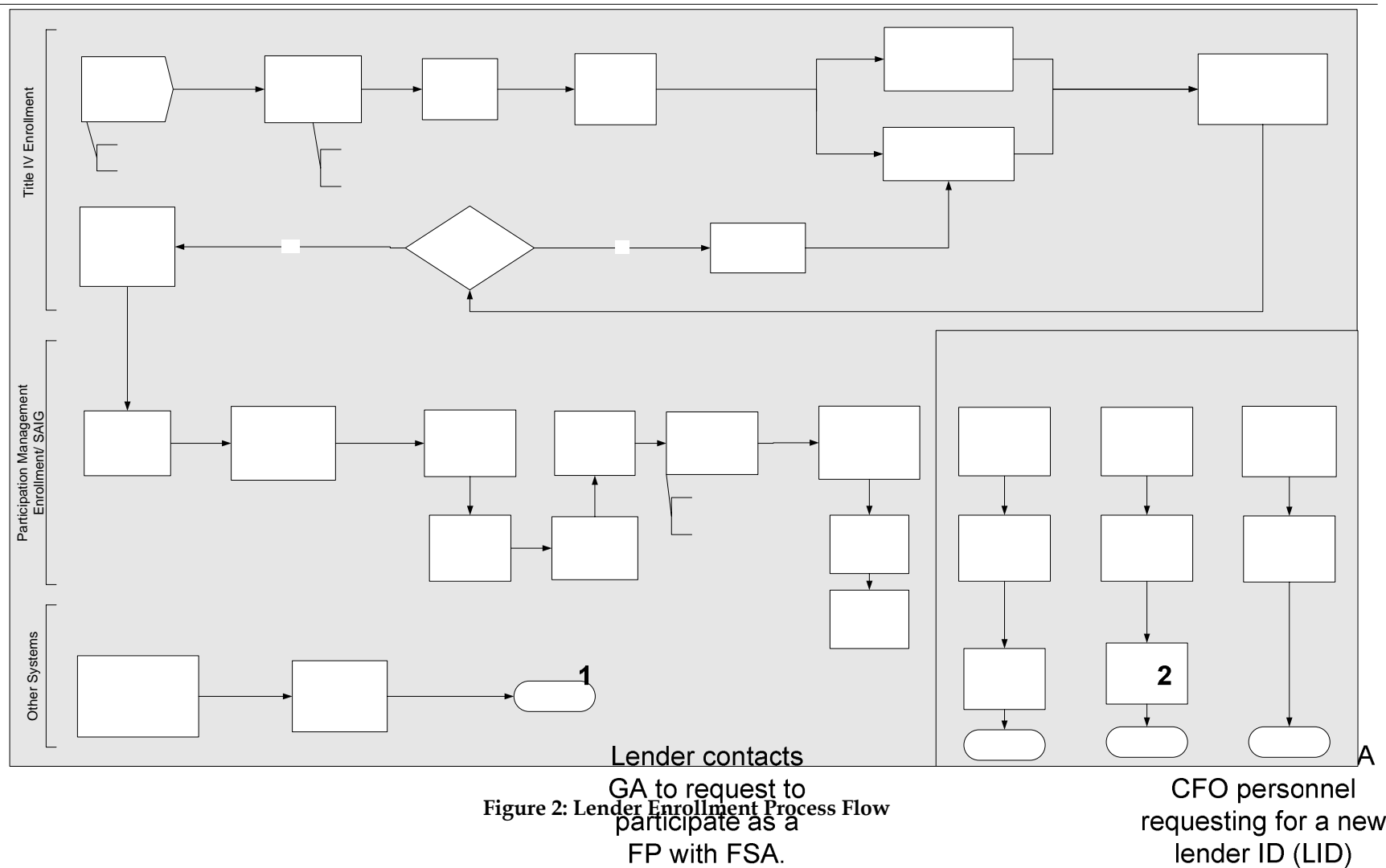
FSA notifies the lender to enroll for the use of the Direct Loan Consolidation System (DLCS) and Financial Partners Data Mart (FPDM). A UserID and password is required for these systems. DLCS enrollment is independent of Participation Management enrollment, so the DPA follows DLCS and FPDM enrollment procedures and receives UserIDs and passwords for access. The URL for both the Information for Financial Aid Professionals (IFAP) and Schools Portal websites is also sent to the lender. The DPA accesses these websites and configures them to fit the organization’s specifications.

Enrollment Updates

The lender performs post enrollment updates via email, fax, or directly on the FMS website. The DPA from the lender organization who doesn’t have system access must contact FSA to initiate the updates. Otherwise the lender can update FMS independent of contacting FSA. Changes to bank accounts must be sent to FSA for updates. DLCS and FPDM are updated on their respective websites.



2.1.2 Lender Enrollment Process Flow





2.1.3 Lender Enrollment Data Exchange Table

The following table includes the data exchanged during the Lender Enrollment Process. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any additional details surrounding the transfer, and the corresponding process flow step in Figure 2: Lender Enrollment Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Lender	GA	Letter or phone call to GA requesting that the GA contact FSA on the lender's behalf for enrollment with FSA for Title IV funds	Ad hoc	Paper Form	Mail	Phone Call or Letter	1
GA	FSA CFO	Request phone call/letter for lender to enroll with FSA	Ad hoc	Paper Form	Mail	N/A	2
FSA CFO	FMS	LID is created in FMS. FMS enters TIN and email address on screen – number is generated sequentially	Ad hoc	N/A	Manual	N/A	3
FMS	Lender	System generated letter containing lender ID and enrollment information	Ad hoc	Email Message	Email	N/A	4
Lender	FSA CFO	OPA and LaRS/FMS Security Forms	Ad hoc	Email Message or Paper Form	Email/Mail	The forms are downloaded, completed, and signed	5



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Lender	FMS	LAP Form	Ad hoc	Web Form	Web Interface	Completed online	6
FSA CFO	Lender	FSA CFO representative sends denial reason to the lender	Ad hoc	Manual	N/A	The letter is sent via email or mail	8
FMS	Lender	Confirmation email notifies lender of successful Title IV enrollment	Ad hoc	Email Message	Email	FSA CFO representative sets approval flag on FMS	10
FMS	LaRS, PEPS, and NSLDS	FMS automatically updates LaRS, PEPS, and NSLDS with eligibility information	Ad hoc	Flat File	FTP	Once approved FMS updates LaRS and NSLDS with system eligibility information	10
NSLDS	Participation Management System	Participant files containing the system eligibility information	Daily	FTP	SAIG		11
Lender	Participation Management System	SAIG enrollment forms	Ad hoc	Web Form	Web Interface	Lender completes and submits to Participation Management, enrollment for LaRS and NSLDS using enrollment website (SAIG)	12
Lender	Participation Management System	Lender downloads and completes signature form, then submits it to PM	Ad hoc	Paper Form	Mail	The signature pages are signed by the DPA and CEO of the organization	13



Integrated Partner Management Solution
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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Participation Management	NSLDS	Participation Management sends NSLDS enrollment confirmation	Daily	Flat File	SAIG	Participation Management processes and sends via SAIG	15
Participation Management	Lender	SAIG usage information and Mailbox TG#	Ad hoc	Email Message	Email	Participation Management sends the lender a Mailbox TG Number	17
Participation Management	SAIG	Mailbox TG#	Daily	Flat File	FTP	Participation Management sends mailbox TG# via secure FTP to SAIG	17
Lender	NSLDS	Online training course	Ad hoc	Web Form	Web Interface	The DPA has to complete NSLDS training course before NSLDS access	19
NSLDS	Lender	Online access information	Ad hoc	Email Message	Email	NSLDS sends online access information	20
Lender	DLCS and FP Data Mart	Demographic information	Ad hoc	Web Form	Web Interface	"Other System"	21
Lender	FMS	Updated enrollment information	Ad hoc	Web Form	Web Interface	Information updates	N/A
Lender	Participation Management	Updated enrollment information	Ad hoc	Web Form or Paper Form	Web Interface	Signature pages are required if changes include DPA or CEO demographic information	N/A
Lender	DLCS and DMCS	Updated enrollment information	Ad hoc	Web Form	Web Interface	Information updates	N/A

Table 2: Lender Enrollment Data Exchange Table



2.2 Guaranty Agency Enrollment

2.2.1 Guaranty Agency Enrollment Overview

Guaranty agencies (GA) participate in the Department of Education (ED) student aid process by insuring lenders that participate in the Federal Family Education Loan (FFEL) Program. Currently, there are 36 GAs interacting with ED. The GA enrollment process happens infrequently; it has been several years since a GA enrolled for FFELP participation. To perform their respective functions, GAs must enroll with ED and meet the requirements defined by the Higher Education Act of 1965, as amended. The enrollment process as documented in Section 2.2.2 – Guaranty Agency Enrollment Process Flow maps how they apply to become financial partners eligible for Title IV programs with ED’s Office of Federal Student Aid (FSA). In addition, this process outlines the steps necessary for GAs to obtain credentials and the TG number (TG#) needed for the administration of Title IV funds. The process involves three major parts:

- Title IV enrollment enables GAs to apply for participation as financial partners with FSA.
- Participation Management enrollment allows a GA to obtain a mailbox on the SAIG, and enables communication access to required FSA systems.
- “Other enrollment” includes all remaining systems enrollment steps required for a GA to gain access to necessary FSA systems or portals.

To initiate a GA’s application for Title IV enrollment, a letter is sent from a State Governor’s office to the Secretary of Education requesting enrollment of the GA with FSA. Upon approval by the Secretary of Education’s office and completion of the participation agreement form, the Secretary of Education’s office sends the request to Financial Partner (FP) Services for processing. FP Services reviews the request, creates a GA code, and enters it into the Financial Management System (FMS). FMS automatically sends the code information to the new GA. The code is used when entering demographic information on the GA Organization Participating Agreement (OPA) and FSA/FMS security forms. GAs and lenders complete identical OPA and FMS security forms. Completing the OPA allows the GA to exchange information electronically with FMS. Before a representative from FP Services grants FMS access, the FSA/FMS security forms must be submitted.

The following series of steps refer to Figure 3: Guaranty Agency Enrollment Process Flow. For more information, please refer to Section 2.2.2 – Guaranty Agency Enrollment Process Flow.

Steps 1 to 6: GA’s Request Letter and Code Creation

The GA contacts ED to request participation as a financial partner in writing, via a letter from the State Governor’s Office. The Secretary of Education’s Office reviews the letter, grants approval and sends it to FP Services Regional Office for processing. Before the letter is sent for processing, the GA must complete a participation agreement form with the Secretary of Education. FP Services sends the processed information to the FSA CFO Channel. FP Services personnel create a three-digit GA code and enter it into FMS. Upon code creation, FMS automatically sends the potential GA confirmation email containing the code and information



needed to complete the enrollment process.

Step 7: Submission of OPA and FMS Security Forms

The information sent with the GA code confirmation email directs the DPA from the organization to the necessary documents to complete enrollment. The DPA goes to FP online website to download and complete the OPA and FSA/FMS security forms. The completed forms are sent via email or letter mail to FP Services for processing.

Steps 8 to 12: FMS Approval and System updates

After the DPA submits the OPA and FSA/FMS security forms, the FP Services and FSA CFO determines the GA's approval. If approved, FP Services enters the GA information into FMS and sends the GA a confirmation letter. FP Services personnel manually enters the GA's access updates into the National Student Loan Data System (NSLDS). This update is noted in the NSLDS daily feed of participant files to the Participation Management system. Next, an FP Services personnel updates Postsecondary Education Participants System (PEPS) with the GA's eligibility information.

Steps 13 to 15: Participation Management Enrollment

A GA must enroll in SAIG in order to exchange information electronically with FSA. The Participation Management system is the application that facilitates SAIG enrollment. This system interfaces with the SAIG network; to enroll, the DPA from the organization uses the SAIG forms on the enrollment website. The enrollment steps taken on the website are similar to those for the Lender Enrollment process. The main differences are the systems and the services required from FSA. The systems required for GAs are NSLDS (Online and Batch). The NSLDS Batch services required are for Financial Aid History (FAH) retrieval, retrieval of student roster files and loan data. Only one GA DPA has permission to have batch update capabilities. The required NSLDS Online services are loan default servicing and reporting loan updates. Only two GA DPAs has permission to access NSLDS Online services.

Steps 16 to 21: Participation Management Processing and Mailbox Access

Once submitted, the information is processed by the Participation Management system, which performs a real-time check against recent participation files to verify eligibility. Participation Management personnel manually scan any paper forms and submit the GA data to SAIG. SAIG updates NSLDS with the GA's system eligibility information. SAIG then creates a mailbox and sends the mailbox TG#, with access instructions, to the GA. The TG# is used as a mailbox ID; it allows the GA to exchange information electronically with FSA systems. To access NSLDS, the DPA must complete an online training course. Once completed, NSLDS mails the access information to the GA and the DPA downloads Data Prep, software used to exchange data with NSLDS. In addition, to activate the SAIG mailbox, the DPA need to download software from the FSA download website. This software can be TDClient or Edconn32, depending on whether the GA uses a mainframe or Microsoft Windows systems.

Steps 22 to 24: "Other Systems" Enrollment

FSA sends an email notifying the GA to enroll for the following systems: Financial Partners Data Mart (FPDM), Direct Loan Consolidation System (DLCS), Postsecondary Education Participants System (PEPS), Conditional Disability Discharge Tracking System (CDDTS) and



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Debt Management Collection System (DMCS). To use these systems, UserIDs and passwords are required. These registrations are independent of Participation Management enrollment, so the DPA follows each system's enrollment procedures and receives a UserID and password for access. FSA also sends the URL for IFAP and the Schools portal to the GA. The DPA from the respective agencies accesses and configures the website to fit the organization's specifications.

Enrollment Updates

GAs update demographic information on FMS. Guaranty agencies perform FFEL updates using the Guaranty Agency Financial Report (GAFR), formerly known as Form 2000. Demographic updates are made to SAIG via the Participation management system. Updates in FPDM, DLCS, CDDTS and DMCS are carried out in their respective websites. PEPS is manually updated by FP Services.



2.2.2 Guaranty Agency Enrollment Process Flow

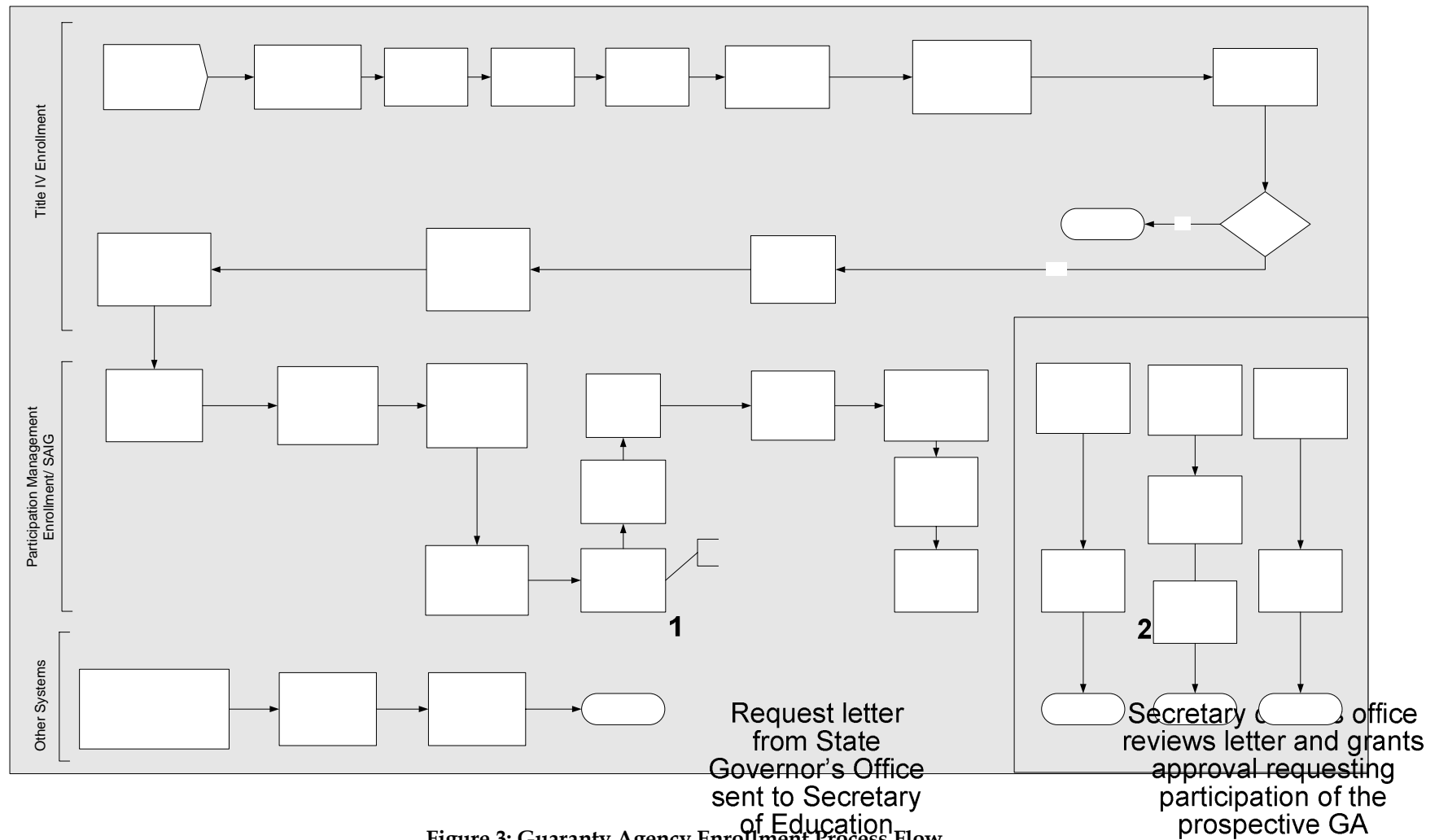


Figure 3: Guaranty Agency Enrollment Process Flow



2.2.3 Guaranty Agency Enrollment Data Exchange Table

The following table includes the data exchanged during the Guaranty Agency Enrollment Process. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any additional details surrounding the transfer, and the corresponding process flow step in Figure 3: Guaranty Agency Enrollment Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
State Governor's Office	Department of Education (ED Secretary's Office)	Request letter from the Governor is sent to Department of Education	Ad hoc	Paper Form or Email Message	Mail or Email	The letter or email is addressed to the Secretary of Education	1
GA	ED Secretary's Office	Signed participation agreement form	Ad hoc	Paper Form	Mail	Agreement form received by the Office of the Secretary of Education	3
ED Secretary's Office	FP Services and FSA CFO	Request letter from the Governor is sent to FP Services, Regional Offices and FSA CFO for processing	Ad hoc	Paper Form	Mail	N/A	4
FP Services representative	FMS	FP Services representative manually enters the GA code into FMS	Ad hoc	N/A	Manual	N/A	5
FMS	GA	GA code confirmation	Ad hoc	Email Message	Email	The confirmation also contains agreement and security form location	6



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
GA	FSA CFO Office and FP Services	OPA and FSA/FMS Security Forms	Ad hoc	Email Message or Paper Form	Email or Mail	Completed and signed forms	7
FP Services representative	FMS	FP Services representative manually enters the GA information into FMS	Ad hoc	N/A	Manual	N/A	10
FP Services representative	NSLDS	Eligibility Updates	Ad hoc	N/A	Manual	FP Services representative manually updates NSLDS	11
FP Services	GA	Confirmation email	Ad hoc	Email Message	Email	FMS approval email containing all services provided to the GA	11
FP Services representative	PEPS	FP Services representative manually update GA's eligibility information on PEPS	Ad hoc	N/A	Manual		12
NSLDS	Participation Management	NSLDS sends participant files containing GA's systems' eligibility information	Nightly	Flat File	SAIG	Nightly batch Files	13



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
GA	Participation Management	SAIG enrollment forms	Ad hoc	Web Form or Paper Form	Web Interface or Mail	GA completes online SAIG enrollment form and submits online or via mail	15
GA	Participation Management	Signature pages signed by the CEO and DPA of the organization	Ad hoc	Paper Form	Mail	The Signature pages must be submitted for the organization's enrollment to be processed	16
Participation Management	SAIG	Processed data containing GA enrollment access	Daily	Flat File	FTP	Participation Management uses secure FTP to update SAIG	17
SAIG	NSLDS	Enrollment Confirmation	Daily	Flat File	SAIG	SAIG sends the GA's systems enrollment confirmation	18
Participation Management	GA	TG# information	Ad hoc	Email Message	Email	Participation Management enrollment completed	20
GA	NSLDS	Online training course	Ad hoc	Web Form	Web Interface	The DPA has to complete NSLDS training course before NSLDS access	22
NSLDS	GA	NSLDS Online access information	Ad hoc	Email Message	Email	PM Enrollment	23



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
GA	FP Data Mart, DLCS, PEPS, CDDTS, and DMCS	Demographic information	Ad hoc	Web Form	Web Interface	Other systems enrollment outside of Participation Management	24
GA	FMS	Updated enrollment information	Ad hoc	Web Form	Web Interface	Information updates	N/A
GA	Participation Management	Updated enrollment information	Ad hoc	Web Form or Paper Form	Web Interface or Mail	Signature pages are required if changes include DPA or CEO demographic information	N/A
GA	FP Data Mart, PEPS, CDDTS, DLCS and DMCS	Updated enrollment information	Ad hoc	Web Form	Web Interface	Information updates	N/A

Table 3: Guaranty Agency Enrollment Data Exchange Table



2.3 Private Collection Agency Participation

2.3.1 Private Collection Agency Participation Overview

A Private Collection Agency (PCA) is an independent contractor solicited to collect defaulted debts on behalf of the Department of Education's (ED) Office of Federal Student Aid (FSA). Although PCAs are not currently under Financial Partner Services oversight, they are an integral part of the Collections process. As such, interactions between PCAs and FSA do warrant consideration and are discussed below, but are not captured in a process flow or data exchange table.

During a contract award year, representatives of FSA's Collections Group, formerly known as Debt Collection Services (DCS), conduct a pre-solicitation conference. Here, the Collections Group representatives provide prospective PCAs with information on FSA requirements and the solicitation process. The PCAs are also encouraged at this time to submit comments and recommendations on the draft statement of work. There is a large amount of start up cost and involvement associated with being a PCA for FSA. Since PCAs normally do not realize profits until after 18 to 24 months of joining FSA, this conference serves as an opportunity for PCAs to decide if they can take on the cost and responsibility. The Collections Group Representatives also inform the PCAs that they must be on GSA Schedule 520-4, which is what FSA uses to invite prospective PCAs to submit proposals. Based on the results of the market research, FSA issues a Request for Task Order Proposal (RFTOP) to vendors selected to participate in the competition.

The Collections Group reviews all submitted proposals and makes its recommendation to the source selection official within 60 to 90 days after the RFTOP closes. During the current acquisition process, FSA expects to award 10 to 12 large business contracts and five to six small business contracts. Contracts awarded during the 2004 acquisition have a 30-month base period and two one-year options.

After FSA initially awards a contract to a PCA, there is approximately a 90 to 120 day start up period. Before transferring accounts to the PCA, the Collections Group reviews each PCA's implementation of the start up deliverables via the Contract Implementation Evaluation (CIE) to ensure the PCA is ready to receive accounts. When ready, FSA makes an initial transfer of 20,000 accounts to each large business contractor and 5,000 accounts to each small business contractor. The Collections Group bases subsequent account transfers to the PCA on individual PCA performance. FSA randomly assigns all eligible accounts among the PCAs in order to achieve portfolio balance. Twelve months after transfer, the Collections Group can recall accounts not converted to Paid-In-Full, Satisfied-In-Full, Satisfactory Repayment Schedules, Administrative Resolution, or Prepared for Litigation or Administrative Wage Garnishment (AWG), and transfer them to another agency. When transferring accounts, the Collections Group performs an edit check to ensure that they do not send accounts back to the same agency.

The Collections Group utilizes monthly performance statistics to determine subsequent transfers and the percentage of total accounts an agency will receive. To monitor this



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performance, the Collections Group uses the Competitive Performance and Continuous Surveillance (CPCS) score. This score captures metrics such as total collections, dollar value of accounts, number of accounts brought to litigation, number of accounts resolved via administrative methods (e.g., death, disability, etc.), and number of accounts filed for bankruptcy. Performance measures include Net Back Recovery percentage (70 points), Account Servicing percentage (20 points), and Administrative Resolutions (10 points). The Collections Group ranks PCAs according to their CPCS score.

When a PCA initially enrolls with FSA, they must provide contract specific information, such as their location and other relevant demographic information. FSA then verifies that the contract site, or a secured area within the contract site, dedicates itself exclusively to the collection and resolution of FSA accounts. In addition, collectors assigned to this contract must work exclusively on FSA accounts. FSA provides security and privacy training to PCA representatives, and each person assigned to the FSA contract signs a privacy notice indicating that they have been trained and will comply with the Privacy Act of 1974. All individuals from the PCA who will access the Debt Management Collections System (DMCS) and must submit security forms to the Collections Group for approval by the ED Security Officer assigned to that group. The system contractor then receives these forms for DMCS UserID assignments and profile settings. The system contractor assigns security profiles to users based on their role (e.g., Collector, Admin, etc.).

The PCA Contract Administrator is the focal point of all communications between the Collections Group and the PCA. Once enrolled, FSA assigns the PCAs with a PCA Location Codes for identification purposes. This code begins with the letters 'AG' followed by three numbers that identify the specific collection agency. When a PCA receives an account, DMCS will show the specific PCA's location code on the account. The PCA is assigned one location code for the life of the contract.

FSA grants most PCA personnel utilizing FSA systems read-only access, with the exception of certain people on the PCA staff. FSA may grant certain PCA staff members update capability on their security profile in order for them to update individual data such as contact information. In addition to DMCS, a PCA may have access to FSA's Direct Loan Origination web-based system. If a PCA needs information regarding the borrower's application and Promissory Note, it must make a request through DMCS. At this point, the systems contractor sends the information. If the debt in question is a Direct Loan and the requested documents are not available through DMCS, the PCAs may access the Direct Loan Origination System (DLOS) to obtain any necessary information that FSA has gathered from the borrower.

A PCA may update its demographic information with FSA via written note to the Contracting Officer (CO) and the Contracting Officer's Representative (COR). The PCA must also send a monthly report detailing outstanding issues and complaints, size of staff committed to FSA contract, and any individuals who may have left the PCA. The PCA reports these individuals to an FSA Regional Security Administrator, who submits the proper paperwork to have their user access revoked in DMCS.

The contract awarded to each PCA allows them to retain accounts in-repayment as long as they



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have a current contract with FSA. These in-repayment accounts are currently being paid by borrowers who stay current on a repayment agreement entered into during an amnesty period. If the contractor does not have a current contract with FSA, they will only retain accounts in repayment for an additional 24 months after the contract ends. Nothing is transferred during the last six months of the contract's life. Therefore, FSA makes an effort to have overlapping contracts to ensure that large volumes of accounts are not sitting in the Collection's portfolio awaiting transfer.



2.4 Federal Agency Participation

2.4.1 Federal Agency Participation Overview

Throughout the Financial Aid Lifecycle, federal agencies such as the Department of the Treasury, Department of the Treasury's Internal Revenue Service (IRS), Department of Health and Human Services (HHS), Department of Housing and Urban Development (HUD), and the Social Security Administration (SSA) have reason to interact with the Department of Education's (ED) Office of Federal Student Aid (FSA). These interactions occur during various business processes such as borrower eligibility determination during the application process and debt collections phase (e.g., skip trace, garnishment and offset).

Most agreements between federal agencies are either Interagency Matching Agreements or Memorandums of Understanding (MOUs). The Federal Government can mandate FSA participation with specific federal agencies or programs. For example, the Federal Government passed the Debt Collection Improvement Act of 1996 (DCIA) mandating federal agencies, including FSA, participate with the Department of the Treasury in the Treasury Offset Program (TOP). The FSA Collections Group utilizes this program to garnish federal funds, such as tax refunds, due to a borrower. Every week, FSA Collections Group sends a tape file to the Department of the Treasury containing updates, which may include adjustments to account balances, refunds, reactivations, and deactivations. Other federal agencies FSA Collection Group interacts with include the U.S. Postal Service to acquire address updates for borrowers via Address Change Service and the U.S. Department of Justice to litigate defaulted student loan accounts.

FSA may also choose to exchange data with various federal agencies to increase efficiency and improve operations. An example of this would be the SSA providing monthly updates of the Death Master File to the Debt Management Collection System (DMCS). This file contains the name of all deceased individuals for which a claim for survivor benefits has been filed and is matched against borrowers in DMCS.

FSA also participates voluntarily in the Department of the Treasury's IRS Skip Trace Program, which aids in locating delinquent and defaulted borrowers. FSA Collections Group receives a list of delinquent and defaulted borrowers from schools and guaranty agencies (GAs), which they forward to the IRS to obtain demographic information. The IRS then sends a tape file containing the skip trace results back to FSA Collections Group. FSA Collections Group enters the tape information into DMCS and forwards the data to requesting schools or GAs. Because there is no set process for federal agencies to enroll with FSA, the process has not been captured in a process flow or data exchange table.



2.5 Audit and Program Review Processes for Lenders and Guaranty Agencies

2.5.1 Lender Program Review Conducted by a Guaranty Agency Overview

Every two years, all lenders subject to the Department of Education's (ED) regulation 34 CFR 682.410(c)(1) must undergo a Program Review by a guaranty agency (GA). A GA performs this review in order to evaluate the lender's compliance with respect to participation in the Federal Family Education Loan Program (FFELP). Specifically, a lender must comply with ED regulatory requirements, GA policies and procedures and the Higher Education Act of 1965, as amended. A GA may also work in conjunction with other entities, such as other GAs, schools, Financial Partner Services, and in rare cases, the Inspector General (IG) to conduct a joint review. All reviewing entities are responsible for their assigned portion of the review.

Currently, a group of 31 of the 36 GAs are working together to develop a Common Review Initiative (CRI). The CRI is a combined Program Review conducted by GA representatives. Each one of these GAs designate staff to participate in the Program Review with a single committee determining the ultimate make-up of the Review Team. Representatives from Financial Partner (FP) Services Regional Offices are part of the Review Team and are responsible for reviewing Lender Reporting System (LaRS) billings on behalf of ED. A Lead GA and Lead ED representative coordinate the Program Reviews.

The Lender Program Review process by a GA is outlined below. This review begins with a GA selecting a lender based on federal or guarantor criteria. The review ends with the GA accepting a satisfactory response to review findings from the lender. This process consists of a Preliminary Review, an On-Site Review, the issuance of a Program Review Report, a review of lender reports and work papers and a Review Close-Out.

The following series of steps refer to Figure 4: Lender Program Review Conducted by a Guaranty Agency Process Flow. For more information, please refer to Section 2.5.2 – Lender Program Review Conducted by a Guaranty Agency Process Flow.

Steps 1 to 4: Selection and Preliminary Review

A GA selects a lender for a program review based on federal regulatory requirements or criteria it has established to be consistent with the efficient and effective administration of the FFELP. Federal regulations require a GA to review any lender that meets any of the following criteria with respect to FFELs:

- The lender's volume represented two percent or more of the guarantor's volume of FFELs guaranteed during the preceding year.
- The lender was one of the guarantor's top ten lenders as measured by its volume for the preceding year.
- The lender's volume during the most recent fiscal year equaled or exceeded \$10 million.

A GA may also consider other factors in its selection, apart from the federal criteria described above. For example, a GA may examine loan volume trends, any significant increases in



cumulative or cohort default rates and evidence of regulatory violations (e.g., improper due diligence), evidence of potential fraud with respect to FFELP participation, and complaints from other entities such as schools and borrowers. From the selected list, the GA develops an internal schedule for the Program Review process.

The GA contacts the selected lender approximately 30 to 60 days before the review to provide notification of Program Review selection. The GA sends a notification letter to the lender that provides dates for the On-Site Review and requests specific administration and financial details. The GA then utilizes information downloaded from the lender or the GA's internal systems to create a profile of the entity. This profile aids the reviewer in becoming acquainted with the lender before the On-Site Review.

Steps 5 to 9: On-Site Review

The lender On-Site Review begins with an Entrance Interview conducted by the GA. This Entrance Interview provides the lender with a forum where the lender can learn about the review process and where it receives an opportunity to present questions and concerns to the reviewer. The GA performs a review of the borrower files and any supporting information, including all materials and procedures concerning FFELP participation. If the GA discovers potential fraud or abuse with respect to FFELP participation, then the GA must notify ED's Office of the Inspector General (OIG) and forward all supporting documentation. The GA is required to notify the FP Services Regional Office as well, but only does so occasionally. If the GA does not identify instances of abuse or fraud, then it performs an Exit Conference with the lender to summarize the review process and/or discuss any concerns or non-compliance findings. During the Exit Conference, all negative findings and/or good aspects of the review are presented to the lender with the applicable required actions. The lender also has an opportunity to clarify any findings before the GA issues a Program Review Report.

Steps 10 to 17: Program Review Report

After the On-Site Review, the GA creates an entity review record in the Postsecondary Education Participants System (PEPS), which indicates that the On-Site Review is complete for the lender. Depending on the region, PEPS entries could be made before a review is conducted (e.g., either when it is scheduled or as far in advance as possible) or after it has been conducted. Entering data into PEPS before the review helps others scheduling a review to know before hand when a review will be conducted. Then, the GA issues a Program Review Report that details the Program Review and all pertinent findings and sends it to the lender. A copy should be sent to the FP Services Regional Office; however, this process is not always followed. The FP Services Regional Office then reviews the report. The Program Review Report lists any findings of noncompliance, required corrective actions, recommendations for improvement, deadlines for any necessary actions and how and when to pay any liabilities that may be due. The GA directly enters all findings into PEPS. Common findings of noncompliance can include cases of improper billing to ED and improper National Student Loan Data System (NSLDS) reporting and procedures.

Steps 14 to 24: Review Closeout

If there is a disagreement on findings between the GA and lender, the GA will refer the case to FSA and the designated FP Services Regional Office for follow-up. Findings may be appealed



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by the lender and remain open until resolved. When a finding is appealed, the Appeal Official will look at the facts, review the work papers, and determine if the documentation for the appeal is valid. In some cases, it is necessary to go to policy or the Office of the General Council to request interpretation of the law or regulations. Once the GA and lender reach an agreement regarding the findings and the lender has paid all liabilities, then Review Close-Out activity can commence. If the lender has not paid liabilities then the GA will refer the case to the designated FP Services Regional Office for follow-up. Historically, the GA has rarely directed cases to the FP Services Regional Office for follow-up action because the lenders have completed the required actions. If there are no findings, the GA notifies the lender of Program Review Close-Out in writing, and enters the closure date into PEPS.



2.5.2 Lender Program Review Conducted by a Guaranty Agency Process Flow

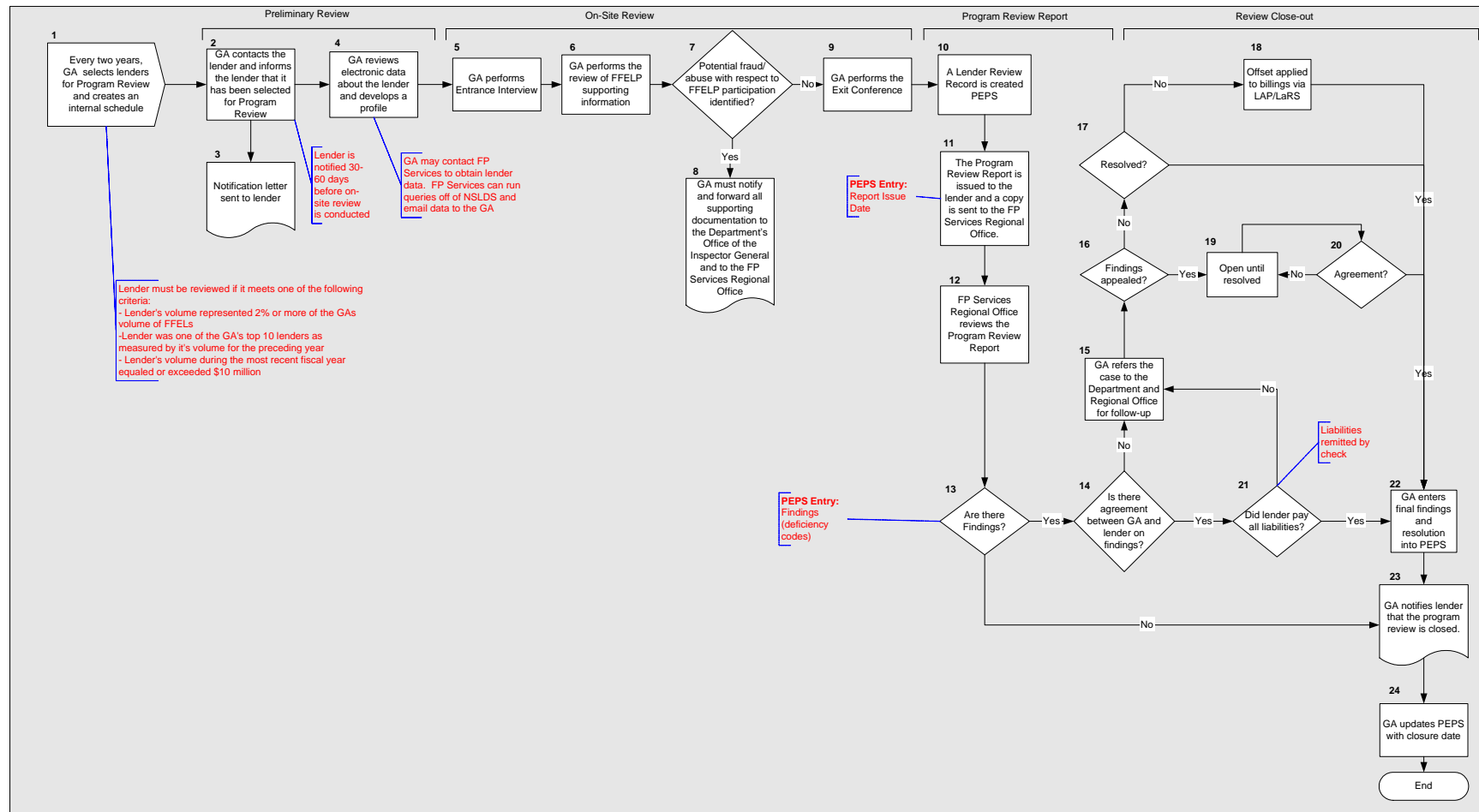


Figure 4: Lender Program Review Conducted by a Guaranty Agency Process Flow



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2.5.3 Lender Program Review Conducted by a Guaranty Agency Data Exchange Table

The following table includes the data exchanged during the Lender Program Review Conducted by a Guaranty Agency Process. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any details surrounding the transfer, and the corresponding process flow step in Figure 4: Lender Program Review Conducted by a Guaranty Agency Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Guaranty Agency	Lender	Notification Letter	Every 2 years	Paper Form or Email Message	Mail or Email	Guaranty agency sends a notification letter to lender informing the organization of Program Review selection	3
Lender	Guaranty Agency	Lender financial data	Ad hoc	N/A	Manual	Guaranty agency downloads data from the lender or utilizes data within its own systems about the lender to develop a profile and help prepare for the On-Site Review	4
Guaranty Agency	Department's Office of the Inspector General (OIG)	Notice and supporting documentation	Ad hoc	Paper Form or Email message	Mail or Email	If potential fraud or abuse with respect to FFELP has been suspected, letter and docs are sent to OIG by the guaranty agency	8



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Guaranty Agency	PEPS	Review Record of lender	Every 2 years	N/A	Manual	Guaranty agency creates a review record of the lender in PEPS after the On-Site Review	10
Guaranty Agency	Lender & FP Services Regional Office	Program Review Report	Every 2 years	Paper Form	Mail	Sent to lender after Exit Conference with copy sent to designated FP Services Regional Office	11
Guaranty Agency	PEPS	Issue Date of Program Review Report	Every 2 years	N/A	Manual	If findings are found, they are manually entered into PEPS by the guaranty agency	11
Guaranty Agency	Lender	Review Closure Notice	Every 2 years	Paper Form	Mail	Sent to lender and a copy is sent to FP Services Regional Office and Department stating the review is closed	23
Guaranty Agency	PEPS	Closure Date	Every 2 years	N/A	Manual	If there are no findings then the closure date is manually entered into PEPS by the guaranty agency	24

Table 4: Lender Program Review conducted by GA Data Exchange Table



2.5.4 Lender/GA Program Reviews Conducted by Financial Partner Services Overview
Each year Financial Partner (FP) Services conducts Program Reviews on GAs, lenders and their servicers. In these reviews, FP Services examines the financial and operational aspects of both GAs and lenders. A secondary market may undergo a Program Review by FP Services. Since a secondary market is another classification for a lender, both Secondary Market and Lender Program Reviews entail the same process. GA and lender reviews differ in that during a GA review, FP Services examines different documentation and the GA's Lender and School Program Reviews as well. In addition to GAs and lenders, FP Services may also perform a Program Review on a servicer. A Servicer Program Review involves a similar process to a Lender Program Review; however, it has another layer of complexity since FP Services will not only perform a Program Review on the servicer but will also conduct Program Reviews on all lenders associated with the servicer. The Lender Review Guide serves as the basis for the structure of all comprehensive lender and servicer reviews. GA reviews by FP Services differ from those performed on lenders and servicers in level of content reviewed, but FP Services retains the same overall process. GA Program Reviews are more in-depth because FP Services investigates the GA's financial stability (i.e., federal fund levels) as well.

Program Reviews by FP Services are either Desk Reviews or On-Site Reviews. FP Services only conducts Desk Reviews on lenders. Desk Reviews occur when FP Services staff can access data (either online or via the lender sending paperwork) while remaining at the FP Services Regional Office as opposed to on-site with the lender. The scope of these reviews can vary between narrow and full-blown (e.g., close-outs, portfolios under \$100k). FP Services may conduct such a Program Review when the size of a particular portfolio results in a mail or electronic facilitated review being more cost-effective.

There are seven types of GA On-Site Reviews:

- 1) Comprehensive Reviews, which cover the full scope of the GA's processes
- 2) Focused Scope Reviews, which examine a particular high-risk area
- 3) NSLDS Reviews, which focus on lender and GA NSLDS reporting requirements
- 4) Computer System Reviews
- 5) Financial Reviews
- 6) Voluntary Flexible Agreement (VFA) Reviews
- 7) Exceptional Performer (EP) Reviews (assuming the GA has applied for and is granted EP status.)

Lender On-Site Reviews can be grouped into the following:

- 1) Comprehensive
- 2) Limited Scope
- 3) Close-Out Reviews
- 4) Exceptional Performer Reviews
- 5) CRI Reviews
- 6) Quality Control (QC) Reviews

Large lenders, servicers and GAs usually undergo National Reviews because of the nation-wide scope of their FFEL programs. National Reviews consist of Program Reviews conducted by a team of members including reviewers from different offices of FP Services. The team can



consist of staff from FP Services Regional Offices, FP Services DC staff (including NSLDS) and ED's Office of the Chief Financial Officer (CFO) staff.

The following series of steps refer to Figure 5: Lender/GA Program Reviews Conducted by FP Services Process Flow. For more information, please refer to Section 2.5.5 – Lender/GA Program Reviews Conducted by Financial Partner Services Process Flow.

Steps 1 to 2: Entity Selection

FP Services may decide to conduct a Program Review on an entity for multiple reasons. FP Services can establish criteria based upon events during the year and may include issues such as complaints from borrowers and schools and irregular reporting practices. In addition, FP Services can utilize Data Mart scorecard reports to select lenders and GAs based on criteria set to show irregularities.

Steps 3 to 17: On-Site/Desk Review

Once FP Services creates a list of reviewees, it must decide whether to perform a Desk Review or an On-Site Review with the particular entity. As mentioned previously, only lenders undergo Desk Reviews by FP Services. After FP Services determines the review type, they create a review record in PEPS and enter information such as the review type and schedule. The On-Site Review process for a GA is similar to the On-Site Review process for a lender as discussed previously in Section 2.5.1 – Lender Program Review Conducted by a Guaranty Agency Overview, although FP Services examines different documentation for a GA. Here, FP Services conducts a preliminary review of electronic data on the reviewee. Once on-site, FP Services will conduct an Entrance Interview, followed by a review of FFELP information, and then conduct an Exit Conference. While on-site, FP Services will identify errors for the reviewee in order for them to clarify and correct before FP Services issues a final Program Review Report. If FP Services discovers any evidence of fraud or abuse, they will report it to OIG. FP Services conducts a Desk Review for lenders in a similar fashion as the On-Site Reviews; however, Entrance Interviews and Exit Conferences are conducted by telephone.

Steps 18 to 22: Program Review Report

At the end of the Desk or On-Site Review, FP Services issues a Program Review Report to the GA or lender under review and copies are sent to all FP Services Regional Office for review. FP Services enters the report issue date into PEPS. If there are no findings, FP Services sends a closure letter to the reviewee and updates PEPS with the closure date. If there are findings and both the reviewee and FP Services agree on the findings, then the findings are entered into PEPS and the review is closed-out. If there is no agreement on findings or if not all liabilities have been paid by the reviewee, then FP Services staff will continue to follow up with the reviewee. For National Reviews, all FP Services Directors review the department report prior to issuance.

Steps 23 to 29: Review Closeout

If there continues to be disagreement on findings then the reviewee may appeal to the FP Services Regional Director, which can then be escalated to the DC office until it is resolved. Once FP Services and the reviewee establish an agreement over the findings FP Services enters the deficiency codes associated with the findings into PEPS. FP Services then sends a closure letter to the reviewee, and updates the closure date in PEPS. At this point, the Program Review



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by FP Services is considered complete.



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2.5.5 Lender/GA Program Reviews Conducted by Financial Partner Services Process Flow

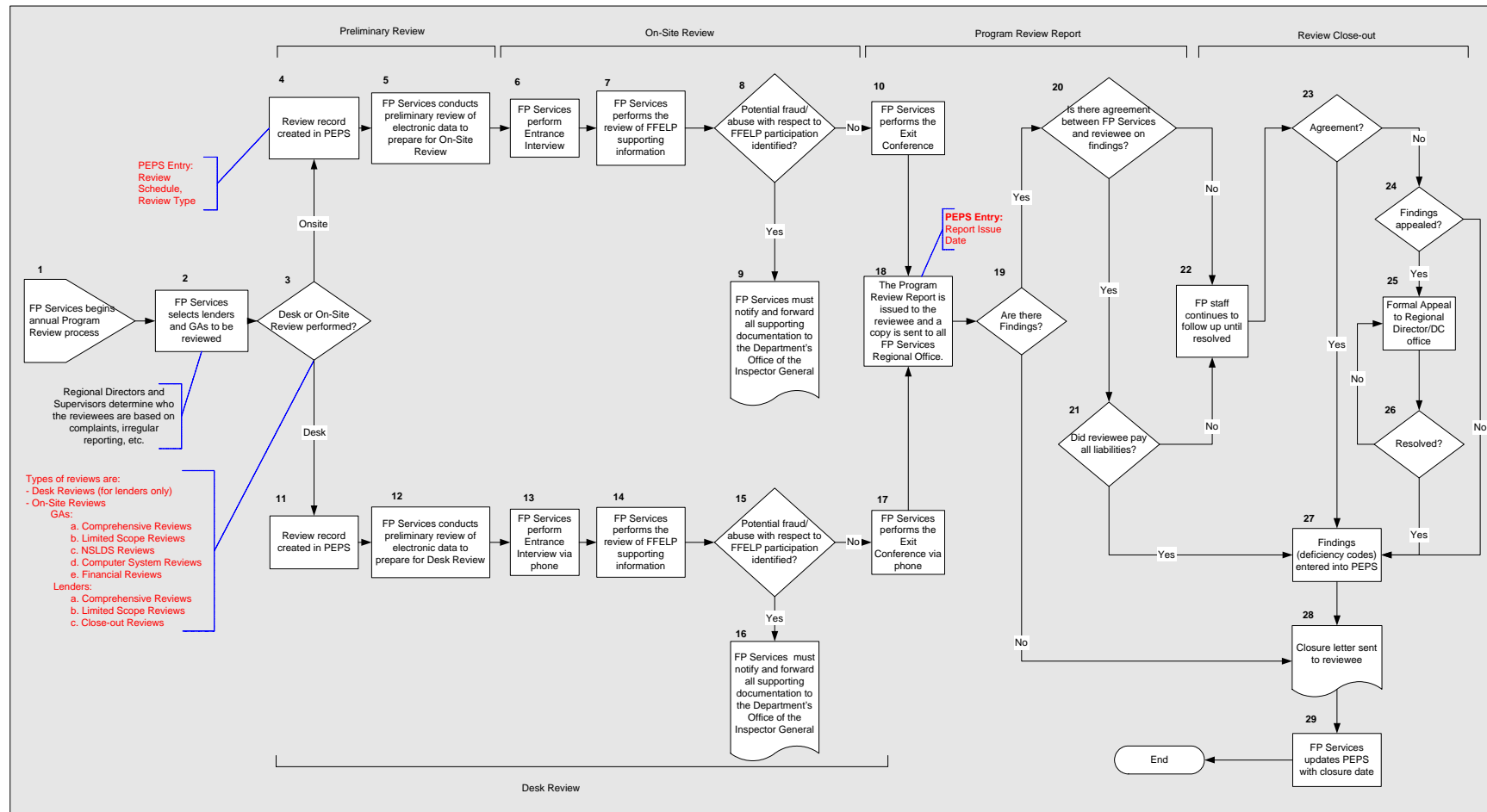


Figure 5: Lender/GA Program Reviews Conducted by FP Services Process Flow



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2.5.6 Lender/GA Program Reviews Conducted by Financial Partner Services Data Exchange Table

The following table includes the data exchanged during the Lender and GA Program Review Conducted by Financial Partner Services process. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any details surrounding the transfer, and the corresponding process flow step in Figure 5: Lender/GA Program Reviews Conducted by FP Services Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Financial Partner Services	Lender or Guaranty Agency	Notification Letter	Annually	Paper Form or Email Message	Mail or Email	Financial Partner Services sends a notification letter to lender or guaranty agency informing the organization of Program Review selection	2
Financial Partner Services	PEPS	Review record of entity, including review type and schedule	Ad hoc	N/A	Manual	Financial Partner Services develops a profile and manually enters entity information into PEPS	4 and 11
Financial Partner Services	Department's Office of Inspector General (OIG)	Notice and supporting documentation	Ad hoc	Paper Form or Email Message	Mail or Email	If potential fraud or abuse with respect to FFELP has been suspected, letter and documents are sent to OIG by the guaranty agency	9 and 16



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Financial Partner Services	Lender or Guaranty Agency and FP Services Regional Office	Program Review Report	Annually	Paper Form	Mail	Sent to lender or guaranty agency with a copy sent to FP Services Regional Office. Please note that if an On-Site Review is performed, the Program Review Report is sent after the Exit Conference is complete	18
Financial Partner Services	PEPS	Issue date of Program Review Report	Annually	N/A	Manual	The Program Review Report date of issue is manually entered into PEPS	18
Financial Partner Services	PEPS	Deficiency Code for Findings	Annually	N/A	Manual	If findings are discovered, deficiency codes for the findings are manually entered into PEPS	27
Financial Partner Services	Lender or Guaranty Agency	Review Closure Notice	Annually	Paper Form	Mail	If there are no findings or when issues have been resolved, Financial Partner Services sends a letter to the lender or guaranty agency stating the review is closed	28



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Financial Partner Services	PEPS	Closure Date	Annually	N/A	Manual	Once the Program Review is closed, Financial Partner Services personnel manually enter the closure date into PEPS	29

Table 5: Lender/GA Program Reviews Conducted by FP Services Data Exchange Table



2.5.7 Lender Annual Compliance Audit Overview

All lenders that make or hold FFELs are subject to yearly Compliance Audits. Every lender that makes or holds more than \$5 million in FFELs is required to submit a Compliance Audit conducted by a qualified independent auditor, such as a Certified Public Accountant (CPA). The CPA conducts the audit in accordance with standards established for the audit of governmental organizations and programs by the U.S. Comptroller General and must cover the period since the last Compliance Audit. The Compliance Audit includes a review of the lender's financial management of FFELP activities and its compliance with the Higher Education Act of 1965, as amended.

The following series of steps refer to Figure 6: Lender Annual Compliance Audit Process Flow. For more information, please refer to Section 2.5.8 – Lender Annual Compliance Audit Process Flow.

Steps 1 to 10: Audit Submission

Every month, LaRS sends a portfolio data feed to PEPS listing lenders who are due for audit submission. PEPS generates a tracking list that is used to check which lenders have not already submitted their audits. If a lender has already submitted their audit, FP Services will begin the review process. If the audit is outstanding FP Services verifies the lender has requested an extension and, if so, grants the lender 30 additional days to submit. If no extension has been granted, then FP Services manually generates a letter notifying the lender of the missing audit, including a request for submission, and mails it to the lender. There is a 15-day period granted for submission at this point. If the lender fails to submit the audit after 15 days, FP Services sends a follow-up letter notifying the lender that FP Services will suspend all payments until the missing audit is received. Once submitted, FP Services receives the audit and enters the receipt date, award year, CPA data and audit type into PEPS.

Steps 11 to 14: Audit Preliminary Review

FP Services completes a Preliminary Review and verifies that the audit is complete. If there is information missing, then FP Services sends a letter to the lender requesting the additional data. If the lender fails to provide this information then a second missing audit letter is generated with a 15-day grace period, after which a failure of action will cause suspension of lender payments until the audit is complete. FP Services reviews all information received once the audit is complete and submitted. If there are no findings in the audit, FP Services enters the closure date into PEPS, scans the audit into the Electronic Record Management (ERM) system, and files it.

Steps 15 to 26: Audit Findings Review and Closure

If there are findings after the Preliminary Review, FP Services conducts a Secondary Review to validate the findings. In the case of major findings, FP Services manually generates a Full Resolution Letter in PEPS, sends it to the lender, and provides the lender with an opportunity to resolve the findings. At this point, the audit remains open until all findings are resolved and may contact FP Services Regional Offices if necessary. If findings remain unresolved, then a letter is sent to the lender notifying them of suspension of payments until a resolution is reached. Once findings are resolved, FP Services sends a closure letter via mail to the lender. In addition, FP Services enters the closure date into PEPS and scans the audit into the ERM system.



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In the case of minor findings during the secondary review, FP Services manually generates an Abbreviated Resolution Letter in PEPS and sends it to the lender. FP Services reviews these minor findings during the next scheduled Compliance Audit and, assuming resolution at that point, they will follow Audit Closure procedures.



2.5.8 Lender Annual Compliance Audit Process Flow

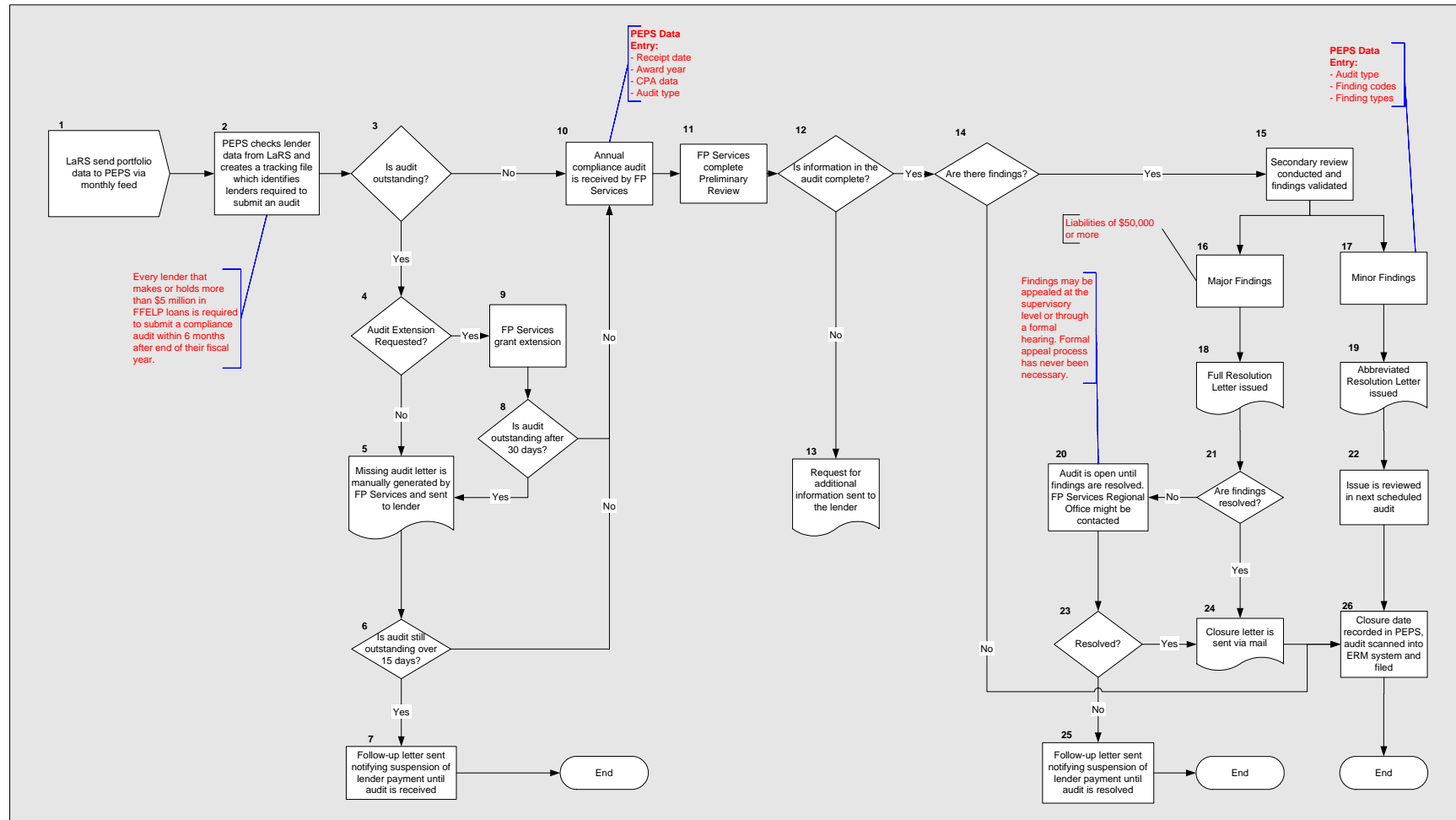


Figure 6: Lender Annual Compliance Audit Process Flow



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2.5.9 Lender Annual Compliance Audit Data Exchange Table

The following table includes the data exchanged during the Lender Annual Compliance Audit process. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any details surrounding the transfer, and the corresponding process flow step in Figure 6: Lender Annual Compliance Audit Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
LaRS	PEPS	Portfolio Data	Monthly	Flat File	FTP	Sent via monthly feed	1
Lender	Financial Partner Services	Compliance Audit	Annually	Paper Form	Mail	Sent within 6 months after end of lender's fiscal year	10
Financial Partner Services	PEPS	Audit Data: Receipt date, Award year, CPA data, Audit type	Annually	N/A	Manual	Once the audit is received by Financial Partner Services staff	10
Financial Partner Services	Lender	Missing Audit Letter	Ad hoc	Paper Form	Mail	Sent if audit is outstanding and no Extension has been requested	5
Financial Partner Services	Lender	Suspension Letter	Ad hoc	Paper Form	Mail	Sent if audit is outstanding 15 days after Missing Audit Letter is sent or findings are not resolved	10 and 25
Financial Partner Services	Lender	Email requesting for additional information	Ad hoc	Email Message	Email	Sent to lender if there is any missing information in the audit	13
Financial Partner Services	Lender	Full Resolution Letter	Ad hoc	Paper Form	Mail	Manually generated in PEPS if there are major findings	18



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Financial Partner Services	Lender	Abbreviated Resolution Letter	Ad hoc	Paper Form	Mail	Manually generated in PEPS if there are minor findings	19
Financial Partner Services	PEPS	Findings entered: Audit type, Finding Codes, Finding Types	Annually	N/A	Manual	If there are findings, data about the findings is entered manually into PEPS by Financial Partner Services staff	16 and 17
Financial Partner Services	Lender	Closure Letter	Annually	Paper Form	Mail	Once the audit is complete, a closure letter is sent to the lender	24
Financial Partner Services	PEPS	Closure Date	Annually	N/A	Manual	Once the audit is complete, the closure date is manually updated into PEPS by FP Services staff	26

Table 6: Lender Annual Compliance Audit Data Exchange Table



2.5.10 Guaranty Agency Annual Compliance Audit Overview

As is the case with lenders, GAs are also required to submit an annual Compliance Audit to FSA. The Compliance Audit examines the GA's financial management surrounding all guarantor activities and verifies compliance of fiscal data and procedures with federal regulations.

The following series of steps refer to Figure 7: Guaranty Agency Annual Compliance Audit Process Flow. For more information, please refer to Section 2.5.11 – Guaranty Agency Annual Compliance Audit Process Flow.

Steps 1 to 6: Audit Submission and Preliminary Review

Every year, a GA must send their audit to the Federal Audit Clearinghouse. An independent auditor conducts this audit in accordance with the Office of Management and Budget (OMB) Circular A-133. The Clearinghouse reviews the audit for completeness. If the audit is not complete, the Clearinghouse sends a request letter for additional information to the GA. Once the audit is complete, the Federal Audit Clearinghouse sends the audit to ED CFO. Staff within Case Management and Oversight (CMO) creates a PEPS entry to begin the audit record, where they record the GA's name, audit type and receipt date. The Schools Channel sorts the audits and enables access to the records in PEPS. The Schools Channel then sends the audit to FP Services where they verify the audit against an audit list after which they assign the audit to specific personnel for review. FP Services enters this assignment data into PEPS, along with associated audit type codes and the filing date.

Steps 7 to 8: Audit Findings Review

FP Services DC staff review the assigned audits for findings. The DC Office personnel contact FP Services Regional Office personnel if they need further investigation. FP Services DC staff then updates PEPS depending on whether there are major findings, minor findings, or no findings. In the case of no findings, FP Services sends an audit closure letter to the GA with copies sent to OIG and the FP Services Regional Office. FP Services records the closure date in PEPS and scans the audit into the ERM system.

Steps 9 to 18: Audit Findings Resolution and Closure

FP Services categorizes audit findings into two categories: major or minor. Major findings generally involve liabilities of \$50,000 or more. FP Services performs a review to ensure the findings are accurate, subsequently resolved, and that the guarantor addresses recommended actions. FP Services enters audit data such as finding codes and recommendations made by the auditors regarding the findings into PEPS. If FP Services discovers major findings, they manually generate a draft of a Full Resolution Letter in PEPS and have a General Manager review it before mailing it to the GA. The audit will remain open until the issues have been resolved. A GA may appeal findings at the general manager level or through a formal hearing, although a formal appeal process has never been necessary. Once there is resolution, FP Services sends an Audit Closure Letter to the GA with copies sent to OIG and the FP Services Regional Office. Then FP Services enters the closure date into PEPS, scans the audit into the ERM system and files the audit. In the event of minor findings, FP Services manually generates an Abbreviated Resolution Letter in PEPS and mails it to the GA. FP Services reviews these minor findings during the next scheduled Compliance Audit. Assuming resolution at that



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point, FP Services conducts Audit Closure steps.



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2.5.11 Guaranty Agency Annual Compliance Audit Process Flow

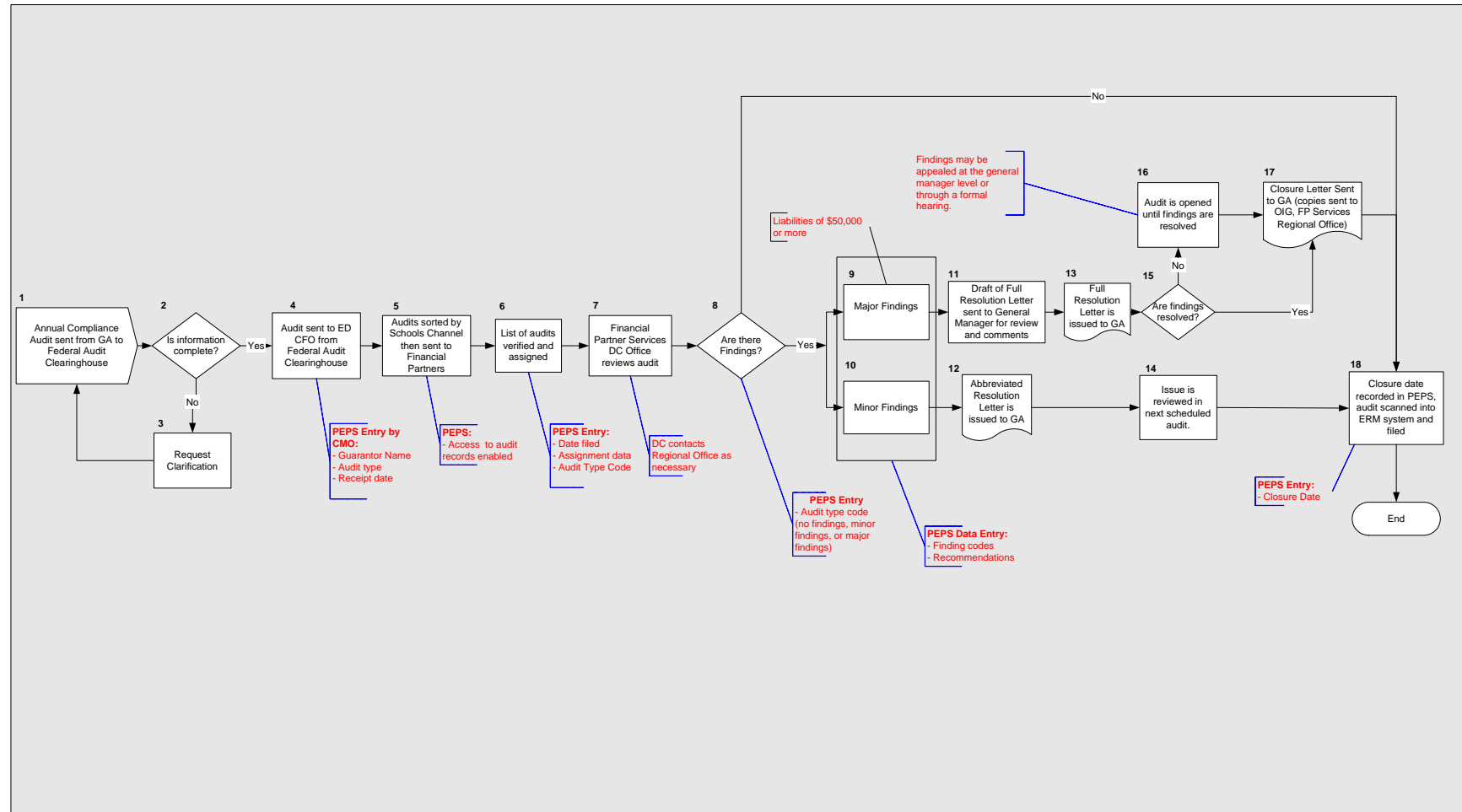


Figure 7: Guaranty Agency Annual Compliance Audit Process Flow



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2.5.12 Guaranty Agency Annual Compliance Audit Data Exchange Table

The following table includes the data exchanged during the Guaranty Agency Annual Compliance Audit process. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any details surrounding the transfer, and the corresponding process flow step in Figure 7: Guaranty Agency Annual Compliance Audit Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Guaranty Agency	Federal Audit Clearinghouse	Annual Compliance Audit	Annually	Paper Form	Mail	Guaranty agency sends audit to Federal Clearinghouse for review	1
Federal Audit Clearinghouse	Guaranty Agency	Letter requesting for clarification	Ad hoc	Paper Form	Mail	Sent to guaranty agency if information not complete	3
Federal Audit Clearinghouse	ED CFO	Annual Compliance Audit	Annually	Paper Form	Mail	Audit is sent to ED CFO as initial FSA point of contact	4
CMO	PEPS	Audit Data: GA name, Audit type, Date Received	Annually	N/A	Manual	CMO personnel manually enter information into PEPS	4
Schools Channel	Financial Partner Services	Annual Compliance Audit	Annually	Paper Form	Mail	Schools Channel receives and sorts audits then sends it to Financial Partner Services	5
Financial Partner Services	PEPS	Audit Data: Date Filed, Assignment Data, Type Code, Finding Codes, Recommendations	Ad hoc	N/A	Manual	Financial Partner Services personnel manually enter information into PEPS	6 to 10



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Financial Partner Services	Guaranty Agency	Full Resolution Letter	Ad hoc	Paper Form	Mail	Manually generated in PEPS if there are major findings and sent to guaranty agency	13
Financial Partner Services	Guaranty Agency	Abbreviated Resolution Letter	Ad hoc	Paper Form	Mail	Manually generated in PEPS if there are minor findings and sent to guaranty agency	12
Financial Partner Services	Guaranty Agency, Department's Office of the Inspector General (OIG), & FP Services Regional Office	Closure Letter	Annually	Paper Form	Mail	Closure Letter is sent to the guaranty agency with copies sent to OIG and FP Services Regional Office if there are no findings or when findings have been resolved and the audit is closed	17
Financial Partner Services	PEPS	Closure Date	Annually	N/A	Manual	Financial Partner Services personnel manually enter closure date into PEPS	18

Table 7: Guaranty Agency Annual Compliance Audit Data Exchange Table



2.6 LEAP/SLEAP Award Origination and Disbursement

2.6.1 LEAP/SLEAP Award Origination and Disbursement Overview

The Leveraging Educational Assistance Program/Special Leveraging Educational Assistance Program (LEAP/SLEAP) was formerly named the State Student Incentive Grant (SSIG). This grant assists states in providing funds to students who demonstrate substantial financial need. Every year the Department of the Treasury provides a lump sum to the Financial Partner (FP) Services' Budget Office for the LEAP/SLEAP program. This total is allocated among the participating state agencies via a specific formula calculation.

The LEAP/SLEAP award origination and disbursement process involves the necessary actions a state agency takes to obtain funding from the Department of Education's (ED) Office of Federal Student Aid (FSA) in order to disburse the grants to students. A state agency must submit an application to FSA annually to receive LEAP/SLEAP funds for the upcoming award year. Upon approval from FSA, they receive an allocated amount, which will then be disbursed to students via centralized or decentralized administration. In centralized administration, a state agency receives and processes student applications, notifies students of awards, verifies attendance, makes disbursements, and keeps complete records on all student awards. They may also determine student eligibility and how much of the funds are disbursed to each student applicant. A state agency may leave the processing of student information up to the discretion of the school, which is known as decentralized administration.

A state agency may require students to provide the necessary information via a free form such as the Free Application for Federal Student Aid (FAFSA). Students can apply to a state agency directly or through their respective schools in order to receive funds. In the case of centralized administration, a state agency processes the forms and determines student eligibility, whereas, in a decentralized administration the schools give the state agency the information needed for formal approval of individual student awards. The maximum award that a student may receive is \$5,000 per academic year. This amount is reduced proportionately for part-time students. Student recipients are selected annually based on the Expected Family Contribution (EFC). Each state agency has its own approval system for allocating the grants. If the student meets the criteria, a state agency sets the disbursement dates and sends a confirmation letter to the student. This confirmation letter is signed by the student and returned to the state agency. After receiving the signed confirmation letter, the state agency disburses the loan to the student's institution. The state agency sends a record of the disbursement to the National Student Loan Data System (NSLDS) and the school. The school and state agency exchange enrollment records to avoid over awards and help provide records and reports.

FSA does not directly interact with students in the execution or oversight of the student LEAP/SLEAP award origination and disbursement process. For this reason, the steps involving a student applicant are not depicted in a process flow format, nor are they included in a data exchange table.

The interaction between a state agency and FSA during the LEAP/SLEAP award origination and disbursement process is described below. The following series of steps refer to Figure 8:



LEAP/SLEAP Award Origination and Disbursement Process Flow. For more information, please refer to Section 2.6.2 – LEAP/SLEAP Award Origination and Disbursement Process Flow.

Step 1 to 4: Form Submission

Annually, FSA establishes a deadline date by which states shall submit the LEAP/SLEAP application form 1288 to FP Services to apply for funding and participate in the programs. A state agency may submit this form online, either via regular mail, or by fax. Most states submit the application by mail or by fax. Once submitted, FP Services verifies that the application has been sent in by the set application deadline. If the deadline for the grant application has passed, FP Services staff must make certain that the state agency has not applied for and been granted an extension. At this point, if an extension has not been granted, the state agency is notified via email or phone call that they have not received an application and that without a submitted application, the state will not be considered for funding. FP Services only processes forms that have been sent within the deadline or if a state agency has been granted an extension.

Steps 5 to 7: Form Processing and Eligibility Determination

FP Services processes the forms and verifies eligibility of the state agency. The eligibility is based on the state's eligible postsecondary enrollment. At this point, FP Services works with the state agency to identify any reasons that may bar them from being eligible. If these issues cannot be addressed, the state agency receives an email stating the reasons for ineligibility and subsequently a denial letter is sent to the state.

Steps 8 to 11: Award Calculation and Disbursement

The Formula Grant Calculation is a formula that is used by FSA to determine the grant distribution among all eligible state agencies. This calculation takes into account how much grant money has been awarded by the Department of the Treasury for LEAP/SLEAP disbursement and allocates a percentage of it to each eligible state agency. The Formula Grant Calculation is based on historical spending pattern of states, which is captured through a performance report submitted by the state agency to FSA. A state agency may submit this web form between December and January and it is used in conjunction with historical data (going back as far as three years) to understand financial patterns. Once awards have been calculated, FP Services manually enters the approved funds into the Grant Administration and Payment System (GAPS) and an award notification is sent to each state agency. At this point, a state agency can draw down funds online either in one lump sum or at quarterly intervals. As awards are made, GAPS updates Interim Payment Process (IPP) program files in the Financial Management System (FMS) through a daily flat file via file transfer protocol (FTP). FMS sends daily payment updates to the ED's Office of the Chief Financial Officer (ED CFO) and updates it into the Financial Management Software System (FMSS) through a General Ledger (GL) to GL interface.

Steps 12 to 16: Verification of State Agency Fund Allocation and Remittance Notice

FP Services reviews fund allocations for state agencies during the spring of each year. At this time, if there are funds that have not been allocated by a state agency, FP Services will inquire as to if these funds will be used during the remainder of the award year for which they were granted. If a state notifies or otherwise indicates that it will be unable to use a portion of its



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award, this portion is then deobligated by FP services via GAPS. For those states that have already drawn down their funds, they would then submit funds they do not plan to utilize or are incapable of matching back to FSA either electronically via GAPS, or in rare cases, via cash. All funds submitted back to FSA are then reallocated to other state agencies based on the LEAP Formula Grant Calculation.



2.6.2 LEAP/SLEAP Award Origination and Disbursement Process Flow

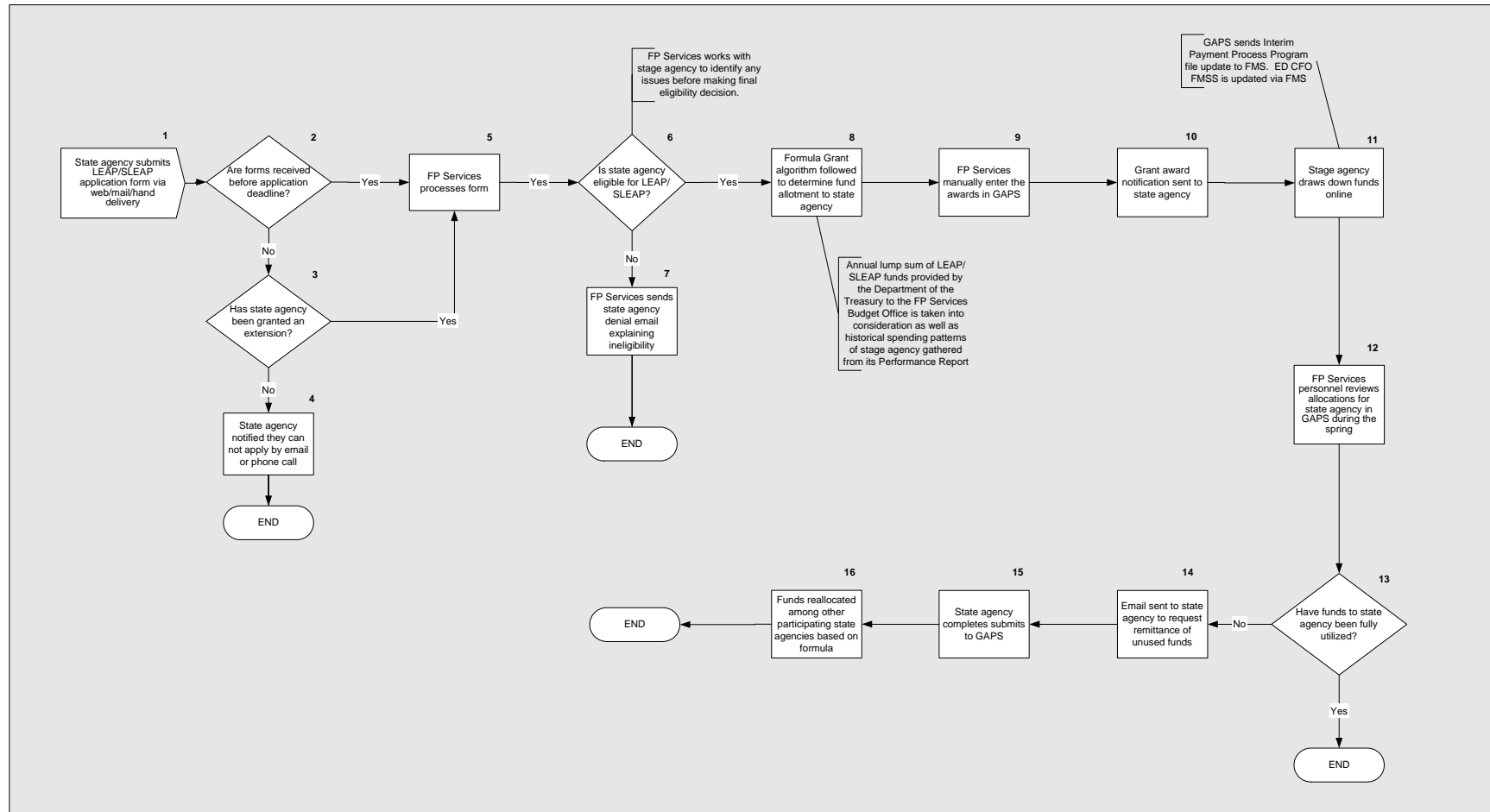


Figure 8: LEAP/SLEAP Award Origination and Disbursement Process Flow



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2.6.3 LEAP/SLEAP Award Origination and Disbursement Data Exchange Table

The following table includes the data exchanged during the LEAP/SLEAP Award Origination and Disbursement process. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any details surrounding the transfer, and the corresponding process flow step in Figure 8: LEAP/SLEAP Award Origination and Disbursement Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
State Agency	Financial Partner Services	Performance Report	Annually	Web Form or Paper Form	Web Interface or Mail	This report is utilized in the Formula Grant Calculation to capture spending data	N/A
State Agency	Financial Partner Services	Online 1288 form: State Agency demographic data updates with requested LEAP/SLEAP award funds	Annually	Web Form or Paper Form	Web Interface or Mail	This form is generally submitted to Financial Partner Services via mail or by fax	1
Financial Partner Services	State Agency	Rejection Phone Call or Letter	Ad hoc	N/A or Email Message	Phone Call or Email	If form is not received by the application deadline and there has been no extension granted, then a state agency's application is rejected and the rejection is conveyed via email or phone call	4



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Financial Partner Services	State Agency	Rejection Letter	Ad hoc	Email Message	Email	If a state agency is deemed ineligible for LEAP/SLEAP funds, then a Rejection Letter is sent to them stating they are ineligible	7
Financial Partner Services	GAPS	Financial Award Data	Ad hoc	N/A	Manual	Financial Partner Services manually enters awards into GAPS system	9
Financial Partner Services	State Agency	Award Notification Letter	Ad hoc	Paper Form	Mail	After data is entered into GAPS, an award letter is automatically generated and sent to the state agency	10
GAPS	FMS IPP files	Updates from GAPS	Daily	Flat File	FTP	FMS is updated via updates to its Interim Process Payment (IPP) program files from GAPS	11
FMS	ED CFO FMSS	Updates from GAPS	Daily	Flat File	FTP	FMS sends update via GL to GL interface to FMSS	11
GAPS	State Agency	Payments	Ad hoc	N/A	EFT	A state agency draws down funds online from FSA	11



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Financial Partner Services	State Agency	Fund Remittance Request	Ad hoc	Email Message	Email	If Financial Partner Services see unused funds in GAPS, a request letter is sent out to state agency for them to remit all unused funds to FSA	14
State Agency	GAPS	Remittance Payments	Ad hoc	N/A	EFT	FSA receives remitted funds from a state agency	16

Table 8: LEAP/SLEAP Award Origination and Disbursement Data Exchange Table



2.7 Federal Family Education Loan Origination and Disbursement

2.7.1 Federal Family Education Loan Origination and Disbursement Overview

The Federal Family Education Loan (FFEL) Award Origination and Disbursement process leads to a borrower's procurement of a FFEL from a lender. The process involves interactions between the borrower, school, lender, guaranty agency (GA), and the Department of Education's (ED) Office of Federal Student Aid (FSA). The amount of FSA involvement in the process is minimal because a majority of the transactions occurs between the borrower, school, lender and GA; however, FSA reviews the outcomes and procedures associated with the process during Lender and GA Program Reviews.

FFEL origination begins after FSA processes the Free Application for Federal Student Aid (FAFSA) form and sends a Student Aid Report (SAR) and Institutional Student Information Record (ISIR) to the borrower and school respectively. The school uses the borrower's financial information on the ISIR and the cost of attendance to determine the suitable financial aid package. After the school determines the appropriate package, it is sent to the borrower. The financial aid package contains information about the Promissory Note. Once the package is received, the borrower accepts the package and signs the Promissory Note. The borrower sends the Promissory Note to the lender, school, or GA depending on the agreement with the school.

The loan disbursement stage begins when the lender receives the Promissory Note. Here, the lender performs a review on the borrower information received from the school and applies for insurance from a GA. The lender disburses the loan if the organization has a blanket guaranty, which is an agreement with the GA that allows the disbursement of loans prior to the GA's insurance approval. If the lender does not have a blanket guaranty, the GA performs a review before insuring the lender. The GA sends the lender a guarantee disclosure. This disclosure is a binding document between the lender and the GA it provides important information about the loan such as loan amount, interest rates, scheduled disbursement dates, and loan fees. The lender uses this document together with the school disbursement schedule to prepare a more extensive disclosure document for the borrower. The lender then sends disclosures by email/mail to the borrower. Upon receipt, the borrower confirms the disclosure by signing and sending it back to the lender. The lender disburses the loan to the school by a Master Check or Electronic Funds Transfer (EFT), or directly to the student by Individual Check. After disbursement, the lender sends the disbursement records quarterly to the GA and National Credit Bureau. At this stage, the GA sends the disbursement records to FSA via National Student Loan Data System (NSLDS).

The GA and lender interactions are verified by FSA during the GA and Lender Program Reviews. FSA confirms loan information by comparing the GA's disbursement record updates in NSLDS with the lender's loan report in the LaRS system. Because GAs are responsible for reviewing each lender's FFEL administration, the GA is held responsible for any amendments if errors are found during reviews. For more information, please see Section 2.5.4 – Lender/GA Program Reviews Conducted by Financial Partner Services Overview.

Although the FFEL Origination and Disbursement process is important to the eligibility and the



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oversight of financial partners, FSA is not heavily involved in the actual execution of the process. For this reason, this process is not depicted in a process flow format, nor is a data exchange table included. For more information, please see Section 2.12 – Federal Family Education Loan Reporting.



2.8 Federal Family Education Loan Repayment

2.8.1 Federal Family Education Loan Repayment Overview

The Federal Family Education Loan (FFEL) Repayment process describes how the lender, guaranty agency (GA), and the Department of Education's (ED) Office of Federal Student Aid (FSA) determine when a student enters into repayment status and the transactions that occur during the repayment of FFELs. The FFEL Repayment process involves the borrower, lender, and GA. Although FSA has limited involvement in the transactions that occur between these entities, this process is important to FSA for oversight and eligibility purposes. Both lenders and GAs are required to adhere to Title IV regulations during their participation in the FFEL Program (FFELP).

Before a student's loans enter into repayment status, schools are required to do exit counseling with the student. The exit counseling sessions inform students of their repayment options and the consequences of defaulting on their student loans. The Enrollment Reporting process informs lenders that a student has entered into repayment status. A school or its third-party servicer communicates student status changes to the National Student Loan Data System (NSLDS), which passes the changes to the GA; the GA forwards these changes to the lender. In some cases, an institution informs a student's FFEL lender of their enrollment status change by means other than NSLDS. For more information on that process, see Section 2.13 – Federal Family Education Loan Enrollment Reporting.

In general, a borrower enters into repayment six months after graduating, leaving school, or dropping below half-time status. A Parental Loan Underwriting for Students (PLUS) enters into repayment once it is fully disbursed. The lender is responsible for sending a letter to the borrower with general repayment information on the date their repayment begins. FFEL lenders give borrowers various repayment options, and borrowers communicate with lenders to set up repayment terms. Students can extend their six-month grace period through deferment or forbearance, or attempt to have their debt waived due to special circumstances such as total and permanent disability.

Payment transactions occur directly between the borrower and the FFEL lender or servicer. Throughout the repayment process, the lender is responsible for reporting loan information to the National Credit Bureaus (e.g., outstanding balance, payment amount, and delinquent loan payments). If a borrower becomes delinquent (i.e., fails to make timely payments), there are certain steps that the lender is required to perform. These steps, known as "Due Diligence," are mandatory in order for the lender to fulfill its contract with the guarantor of the loan. These Due Diligence activities must be performed within a set timeframe. For example, when the borrower is one to 15 days delinquent, the lender must send a written collection letter informing him or her of the delinquency. There is also a Default Aversion Assistance Request period (i.e., 60 to 120 days delinquent), during which time the lender must contact its guarantor for help in preventing the borrower from defaulting. The steps above are examples; the Common Manual includes a complete, detailed description of the Lender Due Diligence process.

If a delinquent borrower responds to the collection efforts of the lender or GA and returns to



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good standing, the lender will continue its collection activities. The borrower may work with the lender until their debt is paid in full. However, there are exceptions, such as FFEL or Direct Loan Consolidation, a lender claim for default, death, bankruptcy, or other special circumstances.

FSA is concerned with whether or not FFEL repayment activities are timely and adhere to regulations. One particular point of interest is the conversion of loans to repayment status; Program Reviews examine this area closely. For more information regarding Program Reviews, see Section 2.5.4 – Lender/GA Program Reviews Conducted by Financial Partner Services Overview.

Although the FFEL Repayment process is important to the eligibility and the oversight of Financial Partners, FSA is not heavily involved in the actual execution of the process. For this reason, this particular process is not depicted in a process flow format, nor is a data exchange table included.



2.9 Federal Family Education Loan Transfers

2.9.1 Federal Family Education Loan Transfers Overview

Loan transfers occur between eligible financial partners of the Federal Family Education Loan Program (FFELP), including lenders, servicers and guaranty agencies (GAs). FFELs are transferred either through loan sales or for administrative reasons from lender or servicer to lender or servicer, and in a few cases FFEL guarantees are transferred from GA to GA. These transfers occur external to Federal Student Aid (FSA), however during Program Reviews, FSA verifies the documentation.

Lender or servicers may sell or transfer a FFEL to another lender or a secondary market. If the loan is sold, the subsequent lender becomes the new holder of the right and title of the Promissory Note, until the borrower finishes paying the loan. Within 45 days of the loan transfer, the original loan holder has to send the borrower and GA a notification containing the name of the new lender or servicer as well as repayment information. Lender or servicers retain notification records for at least three years after the borrower finishes paying the loan or five years after the lender or servicer receives payment in full from another source.

Loan guarantee transfers occur at a borrowers, lenders, or servicers request. Borrowers may request a loan guarantee transfer from one GA to another to have all their loans administered by the same GA. This loan guarantee transfer only occurs if the borrower's request is in writing and both GAs agree to the transfer. Lender or servicers request a transfer of guarantee when there are changes in lender or servicer or GA relationships. Prior to any guarantee transfer, the lender or servicer holding the loan must have an active agreement with the accepting GA. Like loan transfers, GAs must retain all documentation of guarantee transfers for three years after the borrower finishes paying the loan or five years after the lender or servicer receives payment in full from another source.

During GA and Lender Program Reviews, FSA examines all records of loan and guarantee transfers. FSA compares this data with loan-level details retrieved from National Student Loan Data System (NSLDS).

Although the FFEL transfers are important to the eligibility and the oversight of financial partners, FSA is not heavily involved in the actual execution of the process. For this reason, this particular process is not depicted in a process flow format, nor is a data exchange table included.



2.10 Direct Loan and Federal Family Education Loan Consolidation

2.10.1 Direct Loan and Federal Family Education Loan Consolidation Overview

A borrower may choose to consolidate his or her Title IV loans. Consolidation loans are available to borrowers under both the Federal Direct Loan Program (FDLP) and Federal Family Education Loan (FFEL) Programs, these loans are known as Direct Consolidation Loans and Federal Consolidation Loans, respectively. There are three types of Direct Consolidated Loans: Subsidized, Unsubsidized, and Parental Loan Underwriting for Students (PLUS). There are Subsidized and Unsubsidized Federal Consolidation Loans (FFEL PLUS Consolidations are included in the Unsubsidized category). Direct Consolidation Loans can be created when the student is in school, during the grace period, or during repayment. Federal Consolidations can occur during the grace period or repayment, but not while the student is in school.

In order to apply for a Federal Consolidation Loan, a borrower must submit an application and promissory note to a FFEL consolidation lender. In general, the borrower must apply with the holder of one of his or her underlying FFEL(s), but certain exceptions apply. For example, if a lender declines to offer income-sensitive repayment terms, the borrower can choose any FFEL lender the participating in the consolidation program. To apply for a Direct Consolidation Loan, the borrower must submit a combination application and promissory note either online or by paper to the Department of Education's (ED) Office of Federal Student Aid via the Direct Loan Consolidation System (DLCS).

Regardless of the consolidation type, the consolidating entity (i.e., FFEL lender or FSA) must check the consolidation application for completeness and verify the underlying loan information with the holder(s) of the underlying loans. The holder of each underlying loan must certify that the loan is a legal, valid and binding obligation of the borrower, was created and serviced in compliance with regulations, and has a guarantee that is in full force and effect (FFELs only). Once the borrower agrees to the terms, a new consolidated loan is originated; the consolidating lender services and reports on the new loan. The underlying loan status is updated to "Paid in full through consolidation."

Both Direct Consolidation Loans and Federal Consolidation Loans can contain a mix of loan types. For the purposes of this deliverable, the process for a Direct Loan consolidation with one or more underlying FFELs and a FFEL Consolidation including one or more underlying Direct Loans will be examined. The consolidation of Direct Loans into FFEL Consolidation loans in an industry practice not necessarily supported by regulation or statute. At the very minimum a FFEL lender cannot consolidate direct loans for a borrower unless it is the holder of one of the borrower's FFEL loans. In these two consolidation scenarios, the underlying loan holder must provide information to the consolidation lender and vice versa. As such, there is interaction between FSA and financial partners.

Prior to the development of the Stafford Loan Program, a student loan was a Federally Insured Student Loan (FISL). The Federal Government, namely ED, insured these loans. The FISL program ended in the mid-eighties, but FSA still services these debts. Since these loans are no longer originated, the scenario for the consolidation of a FISL loan into a Direct Consolidation Loan is not presented in detail here.



The following series of steps refer to Figure 9: Direct Loan Consolidation Process Flow. For more information, please refer to Section 2.10.2 – Direct Loan Consolidation Process Flow.

Direct Loan Consolidation (Including a FFEL)

This process flow addresses only those Direct Loan Consolidations that include a FFEL, since this process has touch points with financial partners (i.e., FFEL lenders and GAs).

Steps 1 to 4: Borrower Submits a Direct Consolidation Loan Application

To apply for a Direct Loan Consolidation, a borrower submits a combination consolidation application and promissory note to Borrower Services, specifically the Direct Loan Consolidation Group. Consolidation personnel review the application to ensure that enough information is provided. If necessary, they work with the borrower to correct or complete the needed information.

Steps 5 to 8: Underlying Loan Verification Certification

A Verification Certification request is sent to the FFEL lender(s) whose loans are listed on the Direct Loan Consolidation Application. FFEL lenders respond that the information on the request is correct and complete, or provide the necessary information. There are multiple ways for a lender to execute this process:

- The Loan Verification Certification (LVC) process: The Direct Loan Consolidation Group sends the lender a paper form to request the underlying loan information, and the lender returns the appropriate information by mail.
- The Electronic Verification Certification (EVC) process can occur two ways:
 - The lender receives an automated notification that there are FFELs to be verified. The lender accesses the Direct Loan Consolidation website and submits the required information online. The lender must enroll in order to complete the EVC process online. For more information on Lender Enrollment, see Section 2.1 – Lender Enrollment.
 - The lender receives the verification request electronically by a secure file transfer method. The lender's system automatically processes these records and returns the necessary information electronically. The lender must download department-provided software onto their system to complete this EVC process.

If the underlying loan information is not verified by the underlying loan holder, the borrower is informed of the discrepancy by FSA. A letter is sent to the borrower explaining that the lender is asserting the "single lender" rule and will not release loan information.

Steps 9 to 12: Loan Summary Statement for Borrower Verification

After verifying the underlying loan information with the FFEL lender(s), the Direct Loan Consolidation Group creates and sends a Loan Summary Statement to the borrower for his or her verification. If the borrower has a problem with the statement, wishes to include or exclude certain loans, or wishes to cancel the Direct Loan Consolidation, they must contact FSA within ten days. Otherwise, it is assumed that the borrower agrees with the information provided and wishes to proceed with the consolidation. If the borrower does wish to make changes, he or she works with FSA as needed.



Steps 13 to 14: Direct Consolidation Loan Origination

If the borrower does not contact the Direct Loan Consolidation Group within ten days, Direct Loan Consolidation System (DLCS) originates the new Direct Consolidation Loan and sends it to the Direct Loan Servicing System (DLSS) for servicing. DLSS reports the new loan to National Student Loan Data System (NSLDS) as part of its normal Direct Loan reporting process.

Steps 15 to 24: Underlying FFEL Loan Payoff

DLCS processes the accounting with FMS for lender payoff of the underlying FFEL(s). The Financial Management System (FMS) sends payoff transactions to the Grant Administration and Payment System (GAPS), which interfaces with Treasury to enable the payments. If the FFEL lender is not signed up for Electronic Funds Transfer (EFT), Treasury sends funds to a loan consolidation account held by ED. FSA sends lenders a paper check drawn on this account. If the lender is signed up for EFT, Treasury sends funds directly to the lender. After the payment is sent (either by paper check or EFT), GAPS sends a payoff acknowledgement to FMS, and FMS sends an acknowledgement to DLCS. The Direct Loan Consolidation Group posts a Roster Payoff Confirmation to the website for EFT lenders, or sends a hard copy roster for lenders without EFT.

Steps 25 to 26: Reporting Underlying Loan Payoff

FFEL lenders are responsible for reporting underlying loans paid in full through consolidation to their GA, which is then required to report this information to NSLDS. For more information on the FFEL Reporting process, see Section 2.12 – Federal Family Education Loan Reporting.

The following series of steps refer to Figure 10: FFEL Consolidation Process Flow. For more information, please refer to Section 2.10.4 – Federal Family Education Loan Consolidation Process Flow.

FFEL Consolidation (Including a Direct Loan)

Since the focus here is on financial partners' touch points with FSA, this flow will include only those FFEL Consolidations that include Direct Loans.

Step 1: Borrower submits a Federal Consolidation Loan Application

The borrower submits a Federal Consolidation Loan Application to the FFEL Consolidation lender. This application may include a promissory note. In most cases, a borrower must apply for a Federal Consolidation Loan with the holder of one of their underlying loans, but certain exceptions apply.

Steps 2 to 3: Underlying Loan Verification Certification

The FFEL Consolidation lender contacts all underlying loan holders to confirm the information provided on the application. If the consolidation application includes a Direct Loan, the FFEL Consolidation lender must contact FSA (the underlying loan holder) to confirm the Direct Loan information provided is correct. The Direct Loan Servicing Group will provide the direct loan information to the FFEL Consolidation lender.



Steps 4 to 7: Borrower Confirmation

Once the necessary verification has taken place, the consolidation lender will present the compiled information to the borrower for confirmation. The consolidating FFEL lender sends the borrower a promissory note containing the loan information or a disclosure statement. If the borrower already submitted a promissory note with the consolidation application, the borrower receives a disclosure statement. The borrower must sign and submit one of these documents to proceed. If there are, issues or the borrower needs to make changes, he or she works with the FFEL Consolidation lender.

Steps 8 to 10: Federal Consolidation Loan Origination

Once the borrower confirms the information, the FFEL lender originates a new Federal Consolidation Loan. The FFEL lender will reports the new loan to their GA, which is responsible for reporting to NSLDS. For more information on the FFEL Reporting process, see Section 2.12 – Federal Family Education Loan Reporting.

Steps 11 to 12: Underlying Direct Loan Payoff and Reporting

The FFEL Consolidation lender pays the underlying Direct Loan holder, via paper check. DLSS reports the underlying loans as paid in full through consolidation to NSLDS.



2.10.2 Direct Loan Consolidation Process Flow

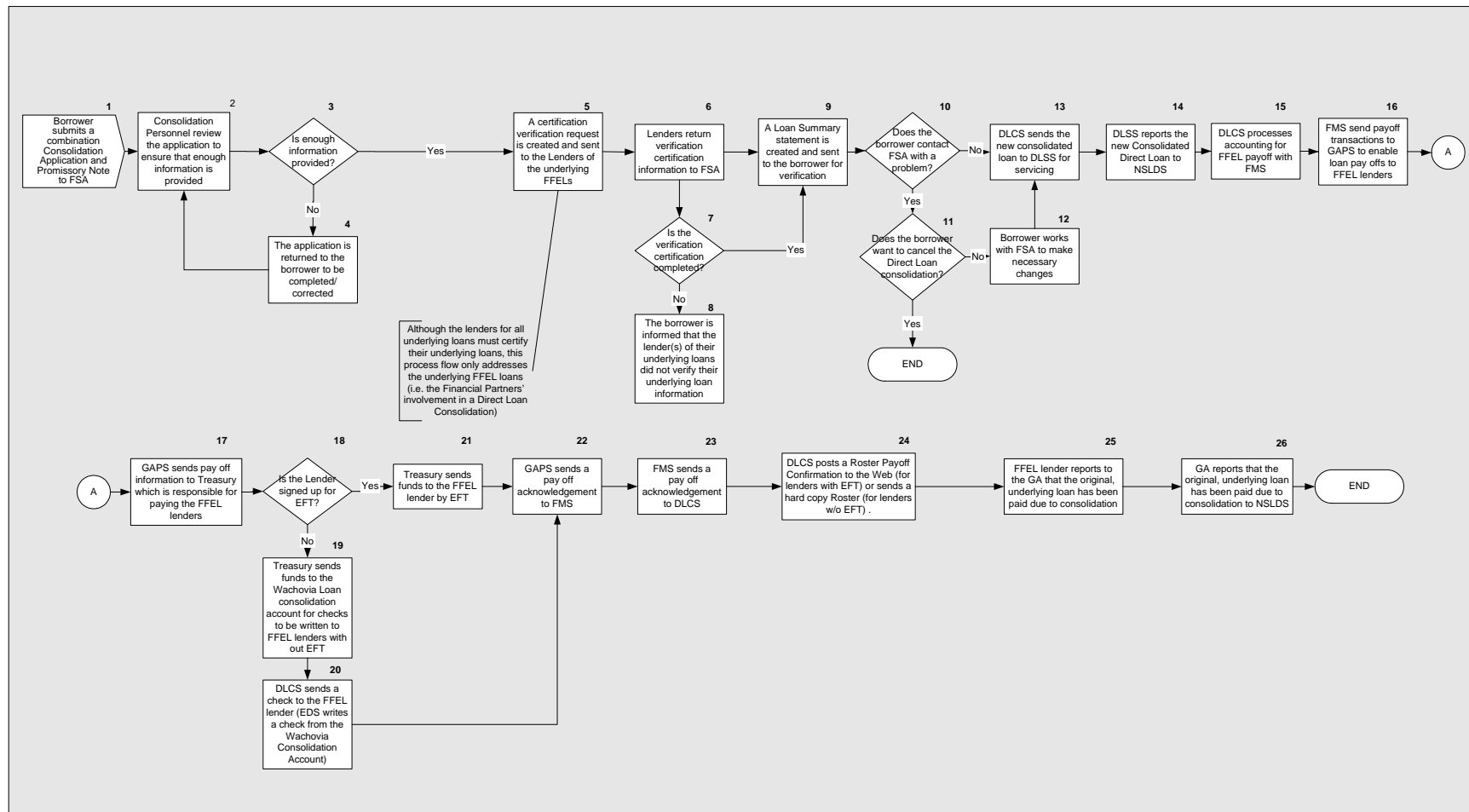


Figure 9: Direct Loan Consolidation Process Flow



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2.10.3 Direct Loan Consolidation Data Exchange Table

The following table includes the data exchanged during the Direct Loan Consolidation process. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any details surrounding the transfer, and the corresponding process flow step in Figure 9: Direct Loan Consolidation Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Borrower	DLCS	Combination Direct Loan Consolidation Application and Promissory Note	Ad hoc	Paper Form or Web Form	Mail or Web Interface		1
Direct Loan Consolidation Group	Lender	A Loan Verification Certification (LVC) or Electronic Verification Certification (EVC) Request	Ad hoc	Web Form or Flat File or Paper Form	Web Interface or FTP or Mail	Department requests information from the underlying loan holders (FFEL lenders)	5
Lender	Direct Loan Consolidation Group	A Loan Verification Certification (LVC) or Electronic Verification Certification (EVC) Response	Ad hoc	Web Form or Flat File or Paper Form	Web Interface or FTP or Mail	Underlying loan holder (FFEL lender) verifies the underlying loan information	6
Direct Loan Consolidation Group	Borrower	Loan Summary/Disclosure Statement	Ad hoc	Paper Form	Mail	Loan information for each loans listed on the consolidation application is sent to the borrower for confirmation	9
DLCS	DLSS	Consolidated Loan Information	Daily	Flat File	FTP	The newly originated Consolidated Direct Loan information is sent to DLSS for servicing	13



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
DLSS	NSLDS	Direct Loan information	Weekly	Flat File	FTP	The new (Consolidated) Direct Loan information is reported	14
DLCS	FMS	Accounting information to process the payoff for underlying FFEL lenders	Daily	Flat File	FTP		15
FMS	GAPS (ED CFO)	Interim Payment Process File	Daily	Flat File	FTP	Payoff transactions to enable payoff for FFEL lenders	16
GAPS (ED CFO)	Treasury	Payoff details for underlying FFELs	Daily	Flat File	FTP	GAPS provided payoff information to enable the actually payoff transactions by Treasury	17
Treasury	Lender	Payoff funds for underlying FFELs	Ad hoc	N/A	EFT	For lenders with Electronic Funds Transfer (EFT), funds are transferred to the lenders account for loan payoff	21
Treasury	Direct Loan Consolidation Group	Payoff funds for underlying FFELs	Ad hoc	N/A	EFT	Lender payoff funds are sent to the department's consolidation account for lenders without EFT	19



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Direct Loan Consolidation Group	Lender	Check drawn on the loan consolidation account for payoff	Ad hoc	Paper Check	Mail	A paper check drawn from the Department's consolidation account is sent to lenders without EFT	20
Direct Loan Consolidation Group	Lender	Roster Payoff Confirmation	Ad hoc	Paper Form or Web Form	Mail or Web Interface	Confirmation of underlying loan payoff for FFEL lenders	24
Lender	Guaranty Agency	FFEL information (NSLDS manifest)	Quarterly (at least)	Flat File (Tape) or Flat File (Diskette) or Paper Form	Mail	Report FFEL status a paid due to consolidation	25
Guaranty Agency	NSLDS	FFEL information	Monthly (at least)	Flat File (Tape) or Flat File	Mail or SAIG	Report that a FFEL has been paid due to consolidation	26

Table 9: Direct Loan Consolidation Data Exchange Table



2.10.4 Federal Family Education Loan Consolidation Process Flow

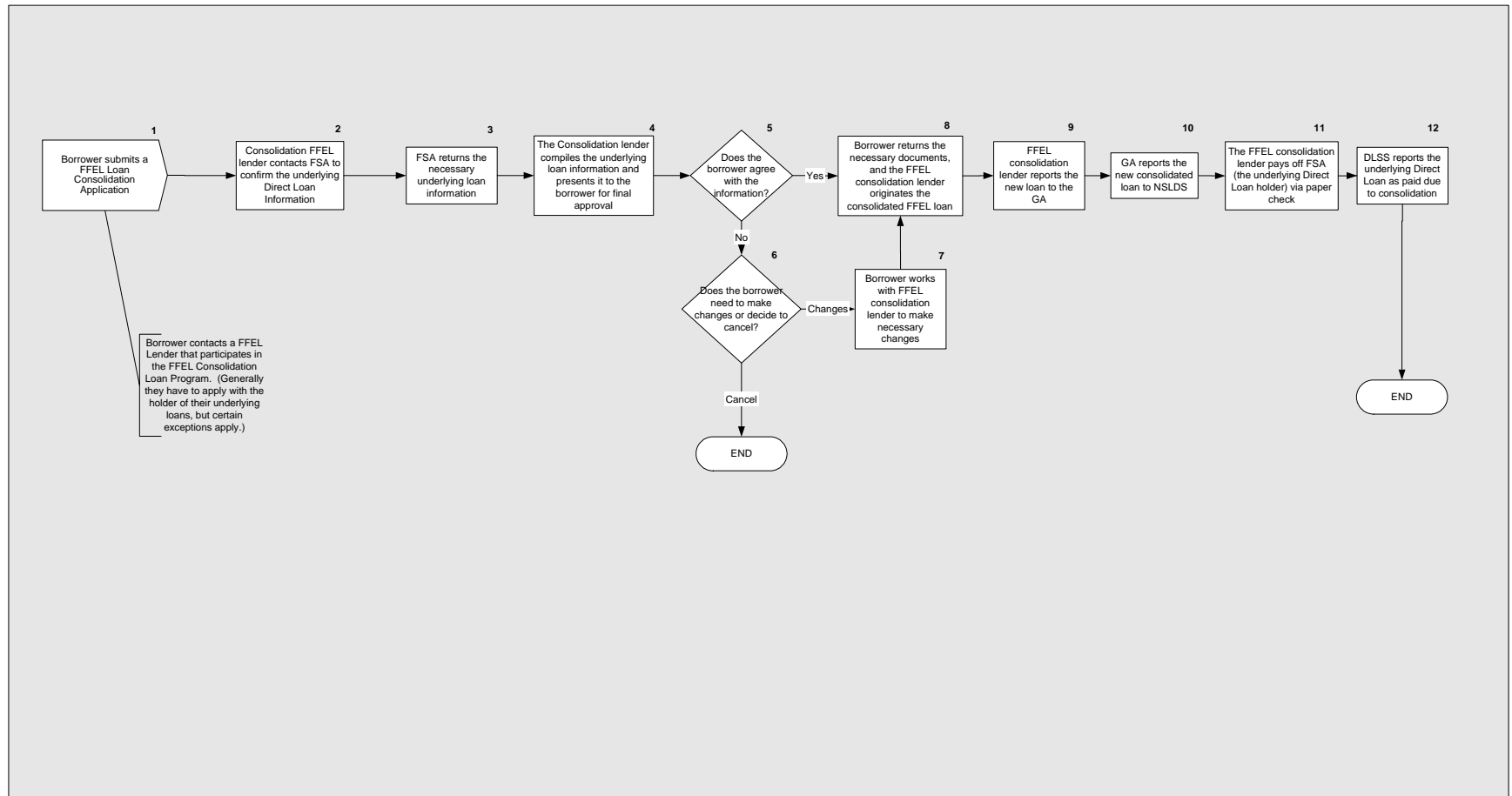


Figure 10: FFEL Consolidation Process Flow



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2.10.5 Federal Family Education Loan Consolidation Data Exchange Table

The following table includes the data exchanged during the FFEL Consolidation process. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any details surrounding the transfer, and the corresponding process flow step in Figure 10: FFEL Consolidation Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Borrower	Lender	FFEL Consolidation Loan Application	Ad hoc	Paper Form or Web Form	Mail or Web Interface	This application may include a Promissory note; the decision is up to the lender	1
Lender	Direct Loan Servicing Group	Loan Verification Certification (LVC) request for underlying Direct Loan information	Ad hoc	Paper Form	Mail		2
Direct Loan Servicing Group	Lender	Loan Verification Certification (LVC) response with underlying Direct Loan information	Ad hoc	Paper Form	Mail		3
Lender	Borrower	Promissory note or a disclosure statement	Ad hoc	Paper Form	Mail	A promissory note will be sent to the borrower if not included in the initial application, otherwise a disclosure will be sent	4



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Borrower	Lender	Signed promissory note or disclosure statement	Ad hoc	Paper Form	Mail	Borrower must sign and submit the promissory note or disclosure. By doing so, they agree to the terms of the FFEL consolidation	8
Lender	Guaranty Agency	FFEL information (NSLDS manifest)	Quarterly	Flat File (Tape) or Flat File (Diskette)	Mail	Lender reports the new consolidated loan information on their regularly scheduled report	9
Guaranty Agency	NSLDS	FFEL information	Monthly (at least)	Flat File (Tape) or Flat File	Mail or SAIG	Guarantor reports the new consolidated loan information to NSLDS	10
Lender	Direct Loan Servicing Group	Paper check for underlying loan payoff	Ad hoc	N/A	Mail		11
DLSS	NSLDS	Direct Loan information	Weekly	Flat File	FTP	Underlying Direct Loan(s) reported as "paid due to consolidation"	12

Table 10: FFEL Consolidation Data Exchange Table



2.11 Federal Family Education Loan Collections

2.11.1 Federal Family Education Loan Collections Overview

A lender may make a claim on a Federal Family Education Loan (FFEL) to its guaranty agency (GA), and in turn, the GA can request reinsurance from the Department of Education (ED). A GA must use the Guaranty Agency Financial Report (GAFR), also known as Form 2000, to request reinsurance for claims paid to lenders. This occurs for various reasons, such as, bankruptcy, death, disability, closed school and false certifications. Each of these claims processes is slightly different. Generally, ED will reimburse a GA for one hundred percent of its losses for all claims except default claims, which are subject to reduced reimbursement rates. Although detailed explanations and process flows for each claim type and process are not included here, some general information is provided below.

Claim Types

Default Claims

A lender files a default claim when a borrower has failed to make a payment to the lender for a set amount of time (i.e., approximately 270 days). Agreements between lenders and guarantors establish that the guarantor will reimburse the lender for all or part of the loan balance for a loan on which a borrower defaults.

Death Claims

A lender files a death claim when a loan is discharged due to the borrower's death. Lenders must produce a death certificate when filing this type of claim with the GA. Upon a borrower's death, or the death of a student on whose behalf a parent borrowed a Parental Loan Underwriting for Students (PLUS) loan, a FFEL is dismissed, meaning they are no longer liable for repayment.

Disability Claims

A lender files a disability claim for a borrower eligible for loan discharge due to total and permanent disability. The borrower must work with the ED's Office of Federal Student Aid (FSA) through the Conditional Disability Discharge Tracking System (CDDTS) to be eligible for this type of discharge. This is an involved process, during which the borrower must obtain a physician's certification of his or her condition. FSA will provide the lender with the paperwork that states the borrower's eligibility for discharge. The lender must submit this documentation along with the disability claim to the GA.

Closed School Claims

A lender files a closed school claim when the borrower is unable to complete his or her program due to the closure of the institution. In this situation, the borrower is eligible for a loan discharge.

False Certification Claims

A lender files a false certification claim when an eligible institution falsely certifies a borrower's eligibility to participate in a Title IV program. An example of a false certification is an institution forging a borrower's signature on a promissory note. In cases of false certification, the borrower is eligible for a loan discharge.



Bankruptcy Claims

A lender files a bankruptcy claim when a borrower files for financial relief under Chapter 7, 11, 12 or 13 bankruptcies. In rare cases, a borrower is eligible for a loan discharge due to bankruptcy. This occurs if the bankruptcy court rules that repayment would cause undue hardship for the borrower.

Unpaid Refund Claims

A lender files an unpaid refund claim for borrowers that were entitled to a refund from their institution but never received it. The borrower must provide the necessary information to the lender or GA stating that they meet the criteria for an unpaid refund discharge.

Federally Insured Student Loans

Prior to the development of the Stafford Loan Program, a student loan was a Federally Insured Student Loan (FISL). The Federal Government, namely ED, insured these loans. The FISL program ended in the mid-eighties, but FSA still services these debts. Since there is no GA involvement in the FISL Program, when a lender submits a claim for a FISL Loan, ED does a detailed evaluation of the lenders claim and decides whether to service the debt. The claim payment process for FISL loans differs from that for FFEL loans. FSA directly receives, reviews, approves, and pays FISL Claims to lenders whereas GAs receive, review, approve and pay FFEL claims to lenders. Since FISLs are no longer originated, their collections process is not presented in detail here.

The following series of steps refer to Figure 11: FFEL Collections Process Flow. For more information, please refer to Section 2.11.2 – Federal Family Education Loan Collections Process Flow.

Steps 1 to 3: Final Demand Letter Sent to the Delinquent Borrower

The FFEL lender sends a Final Demand Letter to a delinquent borrower if they have not received payment for a set number of days. The payment schedule of the delinquent loan determines this timeframe. If the borrower resumes payment at this time, the lender continues repayment activities with the delinquent borrower. If the borrower does not respond to the lender within the allotted time (usually 30 days), the loan is in default.

Step 4: Lender Files a Default Claim

Once the loan is in default, the FFEL lender can file a default claim with the GA insuring the loan. Although the required documentation varies depending on claim type, default claims require the original application and promissory note, payment history information, deferment or forbearance documentation, missing collection history, and the paperwork that shows the assignment of the loan to the GA. If the guarantee on the loan was ever lost and subsequently reinstated, the lender must also provide the appropriate “cure documentation.”

Steps 5 to 9: GA Receives and Reviews the Default Claim

When the GA receives the claim, they are required to do a detailed review of the claim to make sure that it is complete. The GA must return or accept the claim or discharge request to the lender within a specific number of days after receiving it. If the claim is determined to be



incomplete, the GA returns the claim to the lender for completion. The lender has a set number of days to return the needed materials to complete the claim. The GA may reject a claim due to a failure of the lender to comply with collection procedures. If so, the lender may attempt to cure an improperly serviced loan that has lost its guarantee and resubmit a claim. In these instances, the loan is tagged as temporarily uninsured. It is the GAs responsibility to report this change in loan status to the National Student Loan Data System (NSLDS) during its monthly reporting procedure. For more information on FFEL Reporting, please see Section 2.12 – Federal Family Education Loan Reporting.

Steps 10 to 12: GA pays the Lender's Default Claim

The GA pays the lender for a complete default claim and assumes responsibility for collecting on the defaulted loan. The GA sends a written notice to the borrower explaining that they will be servicing the loan, and reports to NSLDS that they paid the default claim to the lender.

Step 13: GA Submits a Reinsurance Request to FSA

The GA submits a reinsurance request to FSA via GAFR (Form 2000). It is important to note that this step is not necessarily sequential. The GA completes the GAFR (Form 2000), including all of its reinsurance requests, and is paid for its claims. FSA does not deny a GA's claim at this point; the GA receives payment. If an issue is found with the default claim during the Program Review, they will be required to remit the funds. For more information on Program Reviews, please see Section 2.5.5 – Lender/GA Program Reviews Conducted by Financial Partner Services Overview. For more information on GA Payment Processing, please see Section 2.15 – Guaranty Agency Payment Processing.

Step 14: GA Reports its Reinsurance Request and Subsequent Claim Payment

The GA reports both its reinsurance request and claim payment to NSLDS. These are two separate events to report, and usually occur about a month apart.

Steps 15 to 17: GA Attempts to Collect on the Defaulted Loan

The GA attempts to collect on the loan, using its own collection methods as well as various collection methods enabled by FSA and other Federal Agencies. Collections methods include the Treasury Offset Program (TOP), Federal Employee Salary Offset Program (FESOP), IRS Skip Trace, and the National Database of New Hires (NDNH) data match. After FSA pays reinsurance to the GA, the GA must remit any money collected on the defaulted loan to FSA (via GAFR). While collecting on the defaulted loan, GAs are entitled to a guaranty agency retention allowance for as long as the defaulted borrower is making payments. GAs are required to report TOP activity, since this is a required collections activity, on the GAFR (Form 2000) to the Financial Management System (FMS) and to NSLDS.

Steps 18 to 19: GA Submits a Defaulted Loan to FSA for Subrogation

Certain accounts identified and determined as unrecoverable are eligible for assignment to ED (a process known as subrogation). The Debt Collections Group provides subrogation requirements to the GAs approximately once each fiscal year, usually during the third or fourth quarter. If a defaulted loan meets the criteria specified, the GA must subrogate the debt. The GA may also decide to subrogate the loan without being required to do so. The GA submits the claim to Borrower Services with the necessary supporting documentation.



Steps 20 to 23: FSA Evaluates the Subrogation Claim

Once received, the Debt Collections Group reviews the claim and determines whether to accept or reject it. Determining if the subrogation request is complete and valid requires a great deal of research. This includes evaluating to the loan's origination and disbursement, verifying that loan documentation is complete, and ensuring mandatory processes were completed. If the Debt Collections Group rejects the claim (i.e., determines the request is incomplete and/or invalid), they notify the GA and return the accompanying documentation. If the Debt Collections Group accepts the debt, they notify the GA that the debt has been accepted for servicing. Once subrogation is complete, ED is the holder of the loan (i.e., the account is no longer held by the GA).

Steps 24 to 25: Loan Reported to NSLDS

At this point, the Debt Collections Group begins collections on the loan and report the defaulted loan information to NSLDS. The GA also reports to NSLDS that the debt has been transferred to, the Debt Collections Group. While FSA services the defaulted loan, it may be returned to the original holder, sent out to a Private Collection Agency (PCA) for collections, rehabilitated, transferred to a secondary market, or consolidated into a FFEL or Direct Consolidated Loan.



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2.11.2 Federal Family Education Loan Collections Process Flow

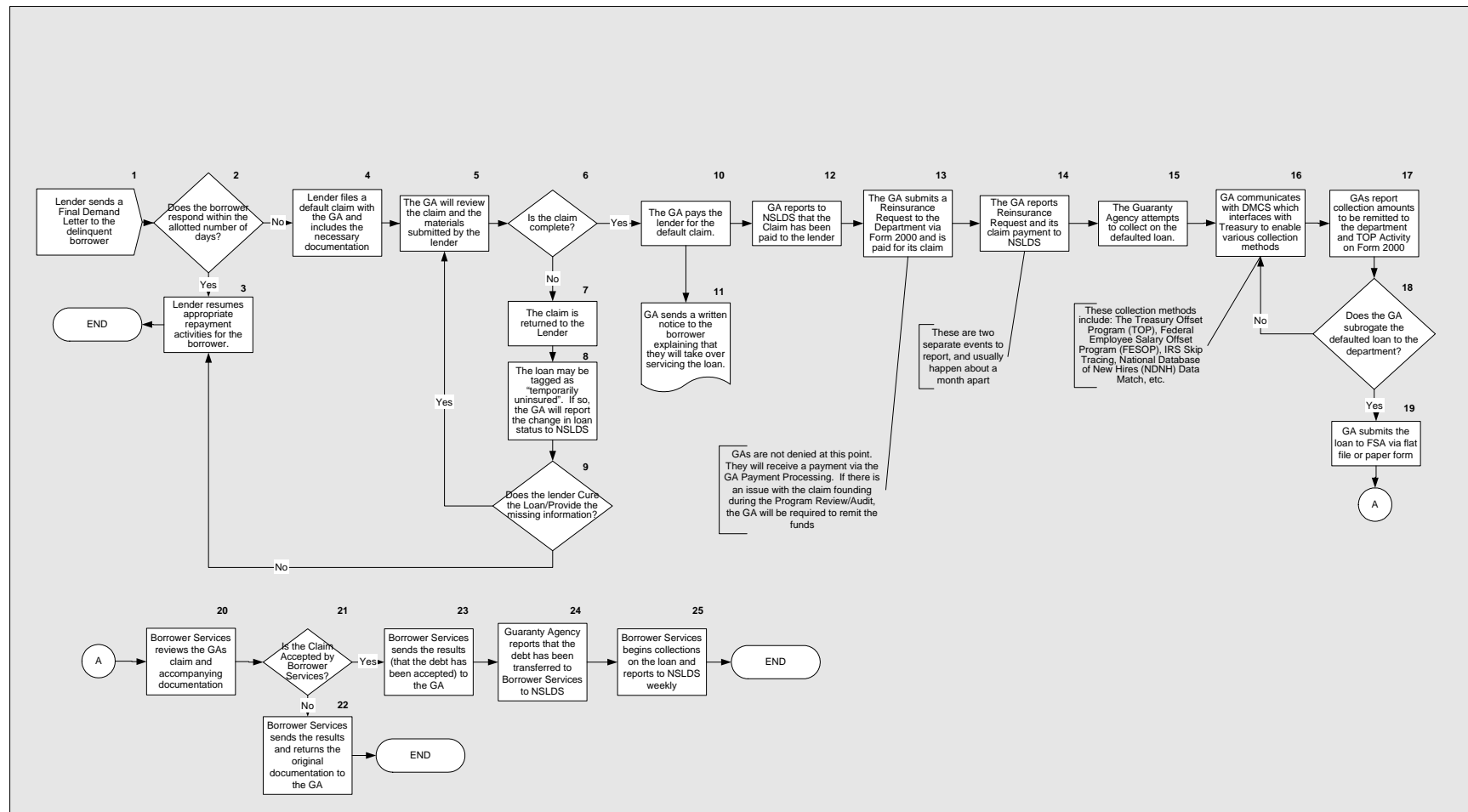


Figure 11: FFEL Collections Process Flow



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2.11.3 Federal Family Education Loan Collections Data Exchange Table

The following table includes the data exchanged during the Federal Family Education Loan Collections process. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any details surrounding the transfer, and the corresponding process flow step in Figure 11: FFEL Collections Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Lender	Borrower	Final Demand Letter	Ad hoc	Paper Form	Mail		1
Lender	Guaranty Agency	Default Claim Request/File	Ad hoc	Paper Form	Mail	This file must contain at a minimum: Claim Form, Application & Promissory Note, Assignment of the Loan to the guaranty agency, Out-of-school date information, and Cure information (if applicable)	4
Guaranty Agency	Lender	Returned Claim Request/File	Ad hoc	Paper Form	Mail	Must be returned within a certain number of days	7
Guaranty Agency	Lender	Default Claim Payment	Ad hoc	Paper Check or N/A	Mail or EFT		10
Guaranty Agency	NSLDS	FFEL information	Monthly (at least)	Flat File (Tape) or Flat File	Mail or SAIG	Guaranty agency will update NSLDS with FFEL information on a regularly scheduled basis	12



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Guaranty Agency	FMS	Reinsurance request for defaulted loans via GAFR (Form 2000)	Weekly, Monthly, Quarterly, Annually	Web Form or Flat File	Web Interface or FTP	GAFR (Form 2000) and VFA custom GAFR (Form 2000) extensions: Payment Financial Data sent monthly (weekly for VFAs) and non-payment financial data sent quarterly and annually	13
Guaranty Agency	FMS	Remittance of collected amounts on defaulted loans and Treasury Offset Program (TOP) information via GAFR (Form 2000)	Weekly, Monthly, Quarterly, Annually	Web Form or Flat File	Web Interface or FTP	GAFR (Form 2000) and VFA custom GAFR (Form 2000) extensions: Payment Financial Data sent monthly (weekly for VFAs) and non-payment financial data sent quarterly and annually	17
Guaranty Agency	Borrower Services (DCS)	Loan Subrogation Request	Ad hoc	Flat File (Tape) or Paper Form	Mail	Defaulted FFEL Loans to be subrogated and the necessary accompanying documentation	19
Borrower Services (DCS)	Guaranty Agency	Results of loan subrogation request.	Ad hoc	Flat File (Tape) or Paper Form	Mail	If the loan was rejected, the documentation submitted will be returned to the guaranty agency	22 and 23



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Borrower Services (DCS)	NSLDS	Defaulted FFEL information	Weekly	Flat File (Tape)	Mail		24

Table 11: FFEL Collections Data Exchange Table



2.12 Federal Family Education Loan Reporting

2.12.1 Federal Family Education Loan Reporting Overview

Lenders, or servicers acting on the lenders' behalf, are required to send Federal Family Education Loan (FFEL) detailed information to their guaranty agency (GA) on a quarterly basis; many lenders choose to perform this function monthly. GAs are required to report this detailed, loan-level information to National Student Loan Data System (NSLDS) at least monthly, but some choose to submit FFEL details more frequently. GAs, or servicers acting on the GAs' behalf, can submit this data via tape or via Student Aid Internet Gateway (SAIG) batch functionality. If there are loans that do not pass NSLDS edits, GAs can correct information using the NSLDS website or during their next submittal.

FP Services personnel track the submission of the FFEL information by the GAs. Although regulations state that GAs must complete FFEL Reporting at least monthly, GAs can set their submission schedules with NSLDS and choose to submit FFEL data more frequently. If GAs do not submit in accordance with this schedule, FP services contacts them. Monthly, NSLDS provides GAs with a benchmark report to inform them of errors that occurred during their submissions; this information is also available to GAs online.

Information received by NSLDS during the FFEL Reporting process includes borrower/student demographics, origination and disbursement information, repayment information, loan holder, loan status, and other loan related data. This FFEL information is used for compiling students' Financial Aid History, calculating Cohort Default Rates, and performing Guaranty Agency Financial Report (GAFR – formerly known as Form 2000) Reasonability for GAs, as well as other business functions.

The following series of steps refer to Figure 12: FFEL Reporting Process Flow. For more information, please refer to Section 2.12.2 – Federal Family Education Loan Reporting Process Flow.

Steps 1 to 2: Lenders Submit FFEL Information to GAs

Lenders submit detailed FFEL information to their GA at least quarterly. Some lenders choose to submit more frequently. This information includes loan status, interest rate, loan ID, outstanding principal balance, and other FFEL related data. GAs perform edits and matching processes on the data received from lenders and send error files for loans that did not pass edits. The particulars of these processes vary from GA to GA.

Step 3: GAs Submit FFEL Information to NSLDS

It is the GA's responsibility to report detailed FFEL information to the Department of Education's (ED) Office of Federal Student Aid (FSA). Before sending it, GAs run domain level edits. Although some GAs submit all records, many run a process to extract the changes from the last submittal and submit only the change records. GAs are required to submit this information to NSLDS monthly, but some choose to submit more frequently (e.g., twice per month or weekly).



Steps 4 to 8: NSLDS Receives FFEL Information

Once NSLDS receives the FFEL Award information from GAs, it runs a series of edits to ensure that the data is complete and error free. These checks include domain level edits and reasonability checks. If errors exist, NSLDS rejects the loan updates for the error records, and sends a report to the GAs detailing the errors found. GAs can correct the failed records online on the NSLDS website or resubmit the corrected records to NSLDS during the next regularly scheduled submittal.

Step 9: NSLDS Stores FFEL Information

NSLDS processes and stores the FFEL loan-level information. For each record on NSLDS, some fields are overwritten with the new FFEL information received, while other fields are updated but have a history maintained.



2.12.2 Federal Family Education Loan Reporting Process Flow

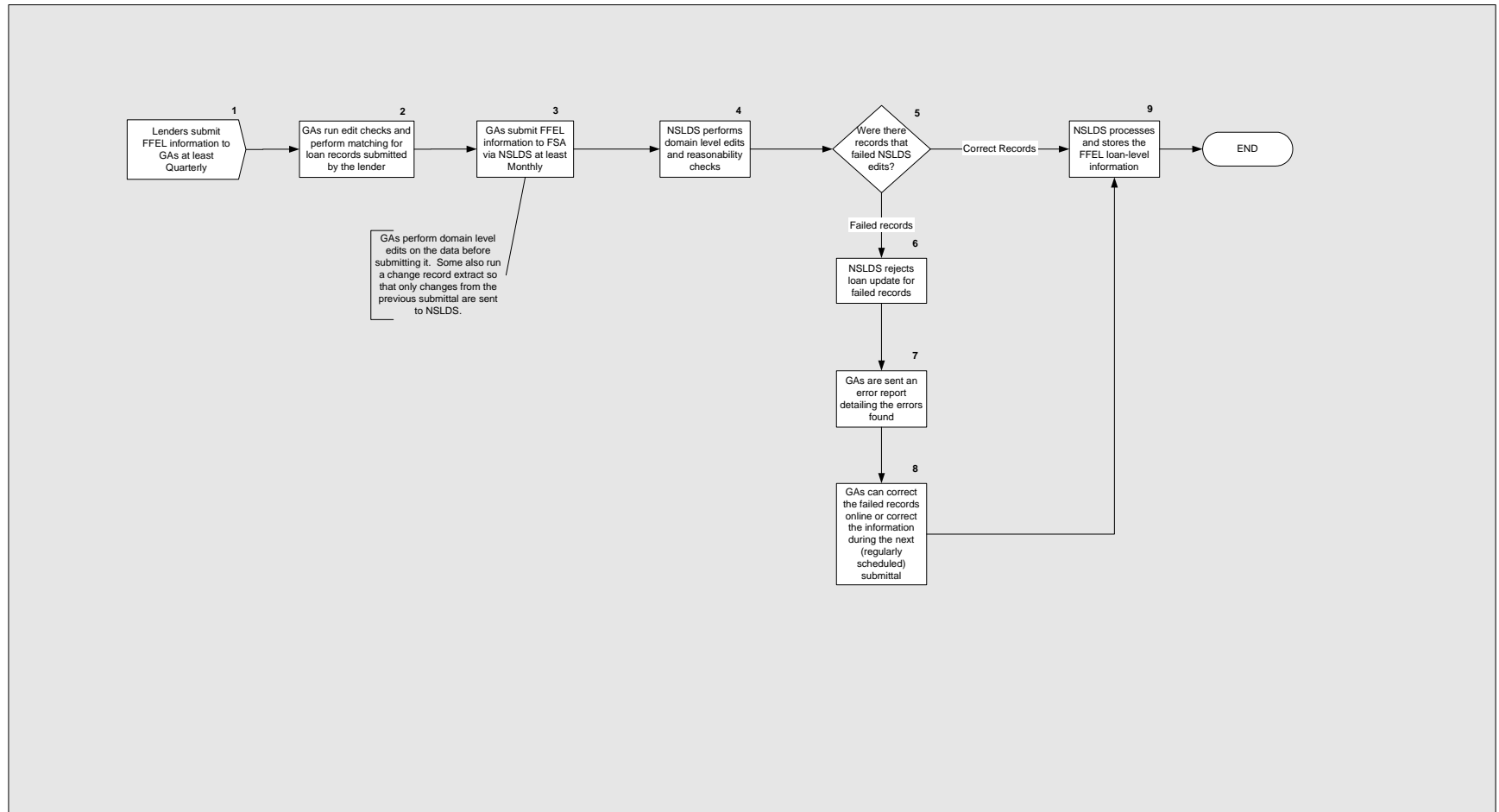


Figure 12: FFEL Reporting Process Flow



2.12.3 Federal Family Education Loan Reporting Process Data Exchange Table

The following table includes the data exchanged during the Federal Family Education Loan Reporting process. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any details surrounding the transfer, and the corresponding process flow step in Figure 12: FFEL Reporting Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Lender	Guaranty Agency	FFEL Information	Quarterly (at least)	Flat File (Tape) or Paper Form	Mail	Detailed loan-level information such as, borrower demographics, origination and disbursement information, and loan status	1
Guaranty Agency	NSLDS	FFEL Information	Monthly (at least)	Flat File (Tape) or Flat File	Mail or SAIG	Detailed loan-level information such as, borrower demographics, origination and disbursement information, and loan status	3
NSLDS	Guaranty Agency	Acknowledgement/Error File	Monthly (at least)	Flat File (Tape) or Flat File	Mail or SAIG	Informs the guaranty agency that records were received and notifies them of any error records that need to be resubmitted	7

Table 12: FFEL Reporting Process Data Exchange Table



2.13 Federal Family Education Loan Enrollment Reporting

2.13.1 Federal Family Education Loan Enrollment Reporting Overview

Title IV regulations require that schools update National Student Loan Data System (NSLDS) with student enrollment information (e.g., student's enrollment status, effective date, anticipated completion date, and other enrollment related data) and inform lenders and guaranty agencies (GAs) of student status changes. Student enrollment status is communicated to GAs through the NSLDS Enrollment Reporting process. A school, or third-party servicer acting on its behalf, updates NSLDS via a batch file or online submittal. GAs perform the Enrollment Reporting function for foreign schools without online access to NSLDS. In this situation, the exchange of information between the foreign school and the GA is paper-based, and the GA updates enrollment information during its normal monthly update to NSLDS.

Although schools are only required to complete enrollment reporting twice per year, most choose to perform the process more often. Certain status changes must be reported within a 60-day period; for this reason, many schools complete the entire process every 60 days to avoid making ad hoc updates. Status changes include withdrawal, dropping below half-time enrollment, program completion, etc. It is important that status changes be communicated in a timely manner to enable lenders to set up repayment terms with the borrower. For more information, see Section 2.8 – Federal Family Education Loan Repayment.

The National Student Clearinghouse, a third-party servicer, is a non-profit organization that completes the NSLDS enrollment reporting process on behalf of many Title IV schools. Aside from this function, it also processes and shares enrollment and deferment information with participating schools and GAs. The clearinghouse receives student status information from these entities, cross-compares student records, and updates the GA with the most current enrollment information as provided by the school. GAs communicate these updates to the lender. In some cases, the lender may choose to participate with the clearinghouse and receive these updates directly. This National Student Clearinghouse function does not involve the Department of Education's (ED) Office of Federal Student Aid (FSA). The process flow and narrative depict the student enrollment reporting process with NSLDS.

The following series of steps refer to Figure 13: FFEL Enrollment Reporting Process Flow. For more information, please refer to Section 2.13.2 – Federal Family Education Loan Enrollment Reporting Process Flow.

Steps 1 to 3: Schools Submit Enrollment Information to NSLDS

Schools (or their third-party servicers) are required to confirm and report the enrollment status of students receiving FFELs. This reporting process is handled either online, using the NSLDS website or through Enrollment Reporting batch processing. This reporting is required to occur at least twice per year, but Schools are required to notify NSLDS of an enrollment change within 60 days. For this reason, many choose to complete this process every 60 days.

If done through batch processing, NSLDS sends a school or its third-party servicer a Roster File with students' enrollment information. FP Services, schools, or a third-party servicer can add students to a schools roster. FP Services adds student records to roster for FFEL recipients based on FFEL information received during FFEL Reporting. For more information regarding



FFEL Reporting, please see Section 2.12 – Federal Family Education Loan Reporting. Upon receipt of the roster, the schools/servicers update the file with student enrollment changes and return it to NSLDS.

If enrollment information is submitted online, schools visit the NSLDS website for financial aid professionals to make the appropriate updates. Additionally, schools can update their roster via the web.

Steps 4 to 7: School Does Not Submit Enrollment Information in a Timely Manner

If the school does not respond to the batch request or submit the information online in a timely manner, NSLDS automatically generates a series of warning letters. NSLDS personnel print and mail the letters to the appropriate school. If the school does not respond to the warning letters, NSLDS personnel contact Case Management and Oversight (CMO), which will take further action as needed. Warning letters are not sent to third-party servicers reporting on behalf of a school. When a school uses a servicer to perform Enrollment Reporting, the school is ultimately responsible that the information is reported in an accurate and timely manner.

Steps 8 to 11: NSLDS Receives Enrollment Information

When NSLDS receives the enrollment information, it performs edits on the records received. NSLDS will send an Acknowledgement/Error File to schools/servicers. If there are error records, NSLDS rejects the failed records and includes them on the Error File to the school/servicer. The school/servicer is supposed to correct the error records and resubmit them within ten days. This can be done using batch processing or on the NSLDS website.

Step 12: NSLDS Stores Enrollment Information

NSLDS loads the accepted student enrollment information into the appropriate tables. During this update process, NSLDS maintains student enrollment history. In other words, it maintains the current information as well as information reported to NSLDS during past updates. This includes data such as, the student's name, date of anticipated completion, and enrollment status.

Steps 13 to 15: NSLDS Sends Enrollment Information to GAs/ GAs Send Enrollment Information to Lenders

NSLDS creates an enrollment data file and sends it to the GAs. This file contains the student enrollment status changes received from schools or their servicers for students in the GAs' portfolios. GAs are required to report this information to lenders quarterly, but many report more frequently (i.e., weekly). Lenders use enrollment information received from GAs to determine when a borrower's repayment process should begin. For more information on FFEL Repayment, please see Section 2.8 – Federal Family Education Loan Repayment.



2.13.2 Federal Family Education Loan Enrollment Reporting Process Flow

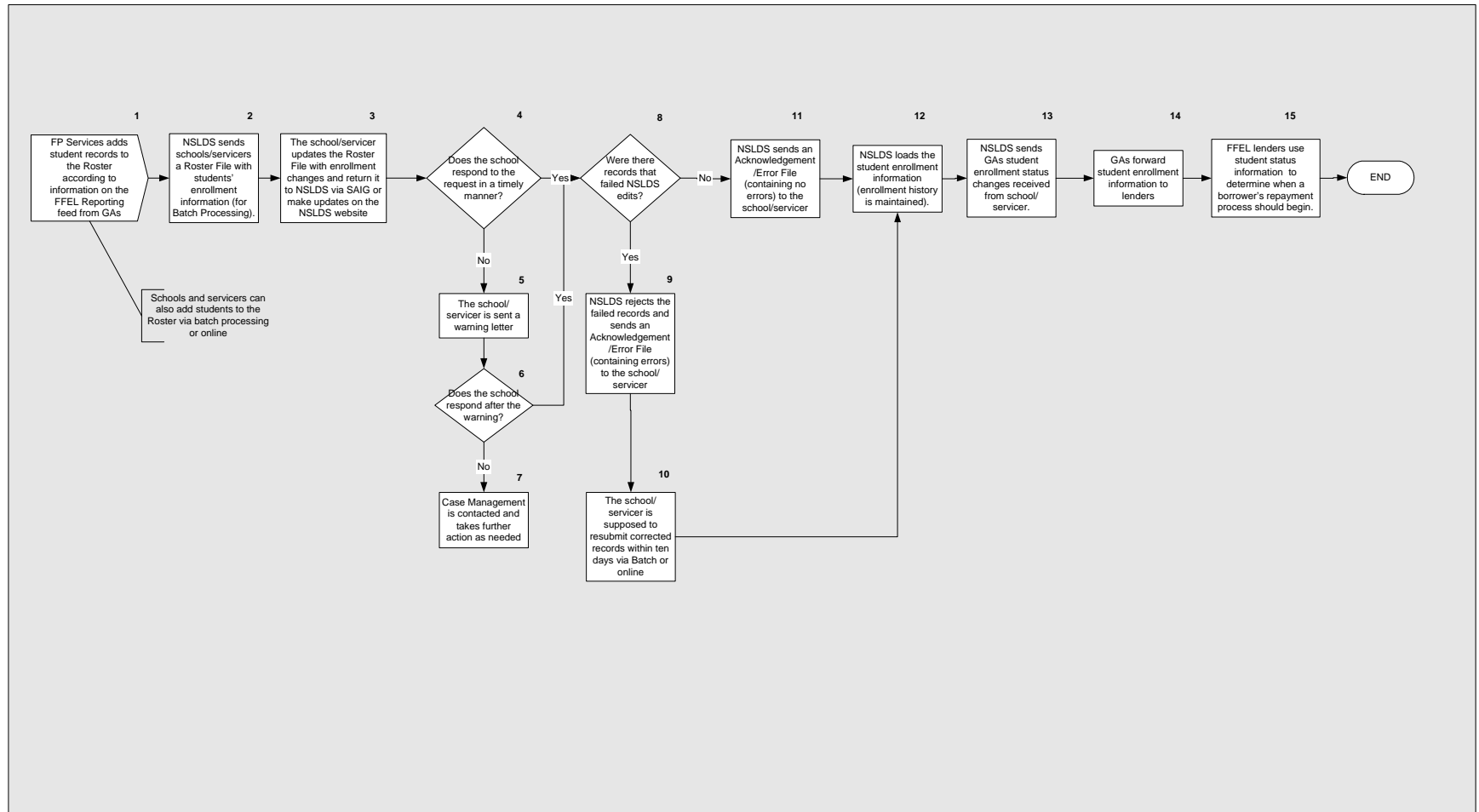


Figure 13: FFEL Enrollment Reporting Process Flow



2.13.3 Federal Family Education Loan Enrollment Reporting Data Exchange Table

The following table includes the data exchanged during the Enrollment Reporting process. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any details surrounding the transfer, and the corresponding process flow step in Figure 13: FFEL Enrollment Reporting Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
NSLDS	School/Servicer	Student enrollment roster file	Ad hoc	Flat File or Flat File (Tape) or Web Form	SAIG or Mail or Web Interface		2
School/Servicer	NSLDS	Student enrollment information updates	Ad hoc	Flat File or Flat File (Tape) or Web Form	SAIG or Mail or Web Interface	Schools must submit at least twice per year, but most choose to do it every 60 days to comply with regulations.	3
NSLDS	School/Servicer	Acknowledgement/Error File	Ad hoc	Flat File or Flat File (Tape) or Web Form	SAIG or Mail or Web Interface		9, 11
NSLDS	Guaranty Agency	Student enrollment information updates	Weekly	Flat File or Flat File (Tape)	SAIG or Mail	NSLDS sends GAs enrollment data received from Schools/ Servicers	13
Guaranty Agency	Lender	Student enrollment information updates	Monthly (at least)	Flat File (Tape) or Paper Form	Mail		14

Table 13: FFEL Enrollment Reporting Data Exchange Table



2.14 Lender Payment Processing

2.14.1 Lender Payment Processing Overview

Lenders submit Lender's Interest and Special Allowance Request and Reports forms to the Department of Education (ED). Via this form, lenders report loan origination and lender fees related to the disbursement of new Federal Family Education Loans (FFEL) claims for interest and special allowance benefits for eligible loans and portfolio data for all loans held by their institution. Lenders must submit the form within 90 days of the end of the quarter. Lenders can submit the form online via Lender Reporting System (LaRS), electronically via Student Aid Internet Gateway (SAIG) mailbox, or a paper form via mail.

When the loan origination fees and lender fees (money the lender owes ED) are greater than the interest and special allowance costs (money ED owes the lender), a receivable is created and the lender is responsible for remitting a payment to ED. The origination fee is a three percent fee that is deducted from the borrower's loan disbursement. The lender fee is one-half percent fee charged to lenders on all new disbursements. When the interest and special allowance claims are greater than the fees due, ED will remit funds to the lender via Automated Clearinghouse (ACH) within 30 days of receiving the invoice.

Interest benefit payments are paid to lenders holding subsidized Stafford loans and qualifying consolidation loans that are in an in-school, grace, deferment, or post-deferment grace status. ED pays interest benefits on a loan at a rate equal to the actual rate at which the loan accrues interest. This actual interest rate may not exceed the applicable maximum interest rate specified by law for such a loan.

Special allowance payments are intended to bring a lender's earning on eligible FFELs close to the earning that would be made based on the market rates. Special allowance rates vary according to the date of loan disbursement, the period of enrollment for which it was intended, and, in some cases, the loan's status. ED pays special allowance on a loan for any quarter in which the applicable calculation for that type of loan yields a positive number.

Statutory regulations forbid a lender from billing for federal interest benefits and special allowance payments on loans that are not eligible for federal reinsurance. It is the lender's responsibility to pay back all interest benefits and special allowance on a loan that is ineligible to obtain payments. Any required refund is made as an adjustment to the lender's next quarterly bill. There are instances when the lender may regain the right to receive interest benefits and special allowance payments on a loan and may resume billing for periods following the date when the guarantee on the loan is reinstated. This may occur if the lender loses a guarantee because of a violation of timely claim filing or failing to perform due diligence, but then takes successful remedial action. A lender's record must provide clear audit trails supporting its interest and special allowance billings. If requested, the lender must verify that the information on the LaRS form conforms to ED's instructions.

The following series of steps refer to Figure 14: Lender Payment Processing Process Flow. For more information, please refer to Section 2.14.2 – Lender Payment Processing Process Flow.



Steps 1 to 2: LaRS Online Submission

The lender enters data on to the LaRS online form. The form consists of five parts. In part one, the lender reports the loans disbursed during the quarter and ED calculates the loan origination and lender loan fees due. In the second sections of the form the lender reports interest activity or adjustments for Federal Stafford (subsidized) loans in an in-school, grace, or authorized deferment status, and for qualifying Federal Consolidation loans in period of authorized deferment. In the third part, the lender bills ED for special allowance. The lender must separate the loans according to loan type, applicable interest rate, and special allowance category, and provide the sum of average daily balances for each loan within these groupings. In the fourth section of the form, the lender reports any changes in the principal amount for FFELs held by the lender during the quarter. This part also provides a summary of the institution's loan portfolio, which can be utilized to verify the completeness and accuracy of the information provided in other parts of the form. In part five, the lender states the status of its FFELs at the end of the quarter. In this part, loans are sorted by their status into three categories:

- a) loans for which the borrower is in school or in a grace period,
- b) loans in authorized deferment, and
- c) loans in repayment.

Once the lender completes the web form, the lender submits it. For the form to be successfully submitted, it must pass built in edit checks. These edit checks verify that entered information meets specified criteria. For instance, they check that lender ID (LID) is numeric, or that principal amount of loans is positive number or zero. The system does not allow the lender to submit until all errors are resolved.

Steps 3 to 4: Import Process and Reasonability Edits

The Financial Management System (FMS) runs the nightly invoice import process. After that, the form is processed for reasonability. Reasonability edits identify items that are inconsistent or unreasonable. This is different from the standard edit checks that check for impossible combinations of amounts and codes in the LaRS submission. Reasonability edits are applied to the LaRS data and crosschecks are performed on parts of the current LaRS (i.e., between current LaRS data and data reported in previous quarterly submissions). The lender receives report on reasonability edits via email sent after the LaRS has been processed. Lenders report any corrections on the subsequent invoice.

Steps 5 to 8: ED Pays Lender

Based on the data provided on the LaRS form, FMS determines the amount payable or receivable. Twice a week, ED's Office of the Chief Financial Officer (ED CFO) creates a payment batch and submits it to the U.S. Treasury. Upon creation of batch, ED CFO generates an email notification to the lender summarizing the payment. Treasury disburses the payments to the lender and confirmations are available via GOALS.

Steps 9 to 12: Lender Pays ED

If a payment is due to ED as a result of LaRS processing, ED sends an email notifications to the lender on the weekly basis until the payment is received. The lender makes payments via check or Automated Clearinghouse (ACH) to ED's lockbox provider, Mellon Bank. Mellon's



processor keys payment information from ED developed remittance forms. Via electronic file, ED receives nightly data, which feeds into the FMS Accounts Receivables module and then passed to the General Ledger (GL). With this, the processing of the lender's payment is complete.

Internal Interfaces

The LaRS system feeds the LaRS information to several internal systems via interfaces.

- Financial Partners Data Mart (FPDM) – The FPDM serves a data warehousing function for FMS. FMS sends lender-related data to the FPDM on a monthly basis. FMS first sends the information to the Informatica application, which formats it and then sends it to the FPDM.
- National Student Loan Data System (NSLDS) – FMS sends a flat file to NSLDS for processing on the 15th day of the first month after the quarter ends. This flat file, transferred via file transfer, contains special allowance and interest benefit information. NSLDS also receives a nightly feed of undated lender demographic information. This data is also sent via file transfer.
- Postsecondary Education Participation System (PEPS) – FMS sends two separate files to PEPS for processing. One file contains basic lender information such as the lender's name, address and other identifying demographic information. The other file contains critical lender portfolio data, such as the lender's number, call report loan type, and call report bill period.

Steps 13 to 19: LaRS Submission via Student Aid Internet Gateway (SAIG)

Lenders can submit their quarterly LaRS form to the LaRS system via the SAIG mailbox system. The lender creates the file and sends it to SAIG. The Enterprise Application Integration (EAI) bus then sweeps SAIG and places the file in a directory for FMS to extract the file and run error checks. If there are any errors, the file moves to the directory for corrupted files and the lender receives an electronic error notification. Once the extraction is successful, SQL procedure validates the data. If the data is not valid, an electronic error notification is sent to the lender. Once the data validation is complete, Financial Partner Services send an email to the lender and ED CFO to notify them of the successful submission. At the same time, the invoice data is imported into the LaRS application. Lenders can view their information via the on-line LaRS screens.

The LaRS FSA Invoice Import Notification program creates a report indicating any errors that encountered during processing, and then sends this report via email to the lender who submitted the invoice. If there are no errors in an invoice, the notification indicates that the invoice was successfully processed.

From this point, FMS processes the form in the same way as it processes the forms submitted online, as described in Steps 3 to 12.

Steps 20 to 25: LaRS Paper Submission via Mail

Lenders can also complete their LaRS forms on paper and submit them to ED via mail. If a lender chooses to submit the form in this way, ED CFO staff enters the data on-line. If there are errors on the form, ED CFO staff will either contact the lender to resolve the problem or return



the LaRS back to the lender for corrections. The lender is required to fix the errors and resubmit the form. Once there are no errors, ED CFO staff reviews the form and submits it for processing.

From this point, the processing of the form is the same as for the forms submitted online, as described in Steps 3 to 12.

FFEL Consolidation Loan Rebate and Student Loan Marketing Association Fee (Sallie Mae Fee)

Lenders pay ED Consolidated Loan Rebate Fees and Student Loan Marketing Association (SLMA) Fees.

Lenders use the FFEL Consolidation Loan Rebate Fee Rebate and Remittance Form to report the Federal Consolidation Rebate Fee to ED. A lender holding one or more Federal Consolidation Loans at the end of the month must submit a payment for the Consolidation Loan Rebate Fee within 30 days of the end of the month for which the fee is calculated. ED requires the Student Loan Marketing Association to remit a fee monthly.

Lenders remit the fees due to ED either through ACH or check, as described in Steps 9 to 12.



2.14.2 Lender Payment Processing Process Flow

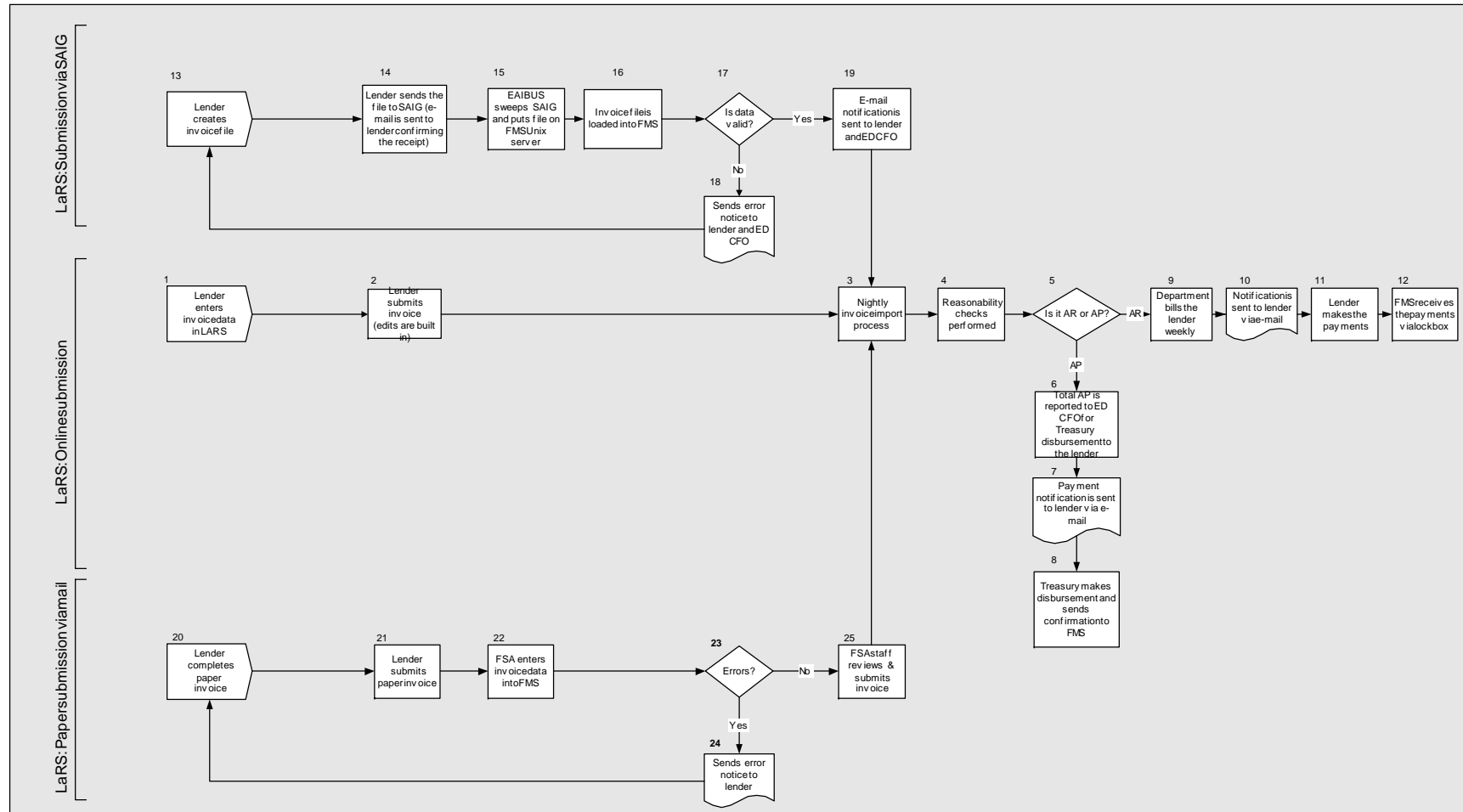


Figure 14: Lender Payment Processing Process Flow



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2.14.3 Lender Payment Processing Data Exchange Table

The following table includes the data exchanged during the Lender Payment Processing. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any details surrounding the transfer, and the corresponding process flow step in Figure 14: Lender Payment Processing Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Lender	FMS	Lender submits LaRS form	Quarterly	Web Form or Flat File or Paper Form	Web Interface or FTP or mail		2
FMS	ED CFO	Lender's LaRS payments are sent to ED CFO for certification	Ad hoc (On-demand)	Flat File	FTP		6
ED CFO	Treasury	LaRS payments are forwarded to Treasury for payment	Ad hoc (On-demand)	Flat File	FTP		6
FMS	Lender	Payment notification	Quarterly	Email Message	Email		7
Treasury	ED CFO/FMS	Confirmations of disbursements	Ad hoc (On-demand)	On-line	GOALS		8
FMS	Lender	Notification requesting payment	Quarterly	Email message	Email		10
Lenders	Mellon Bank Lockbox	Payment (check) and supporting data	Daily	Paper Form	Mail		11
Lockbox (LaRS)	FMS	Cash Receipts by Mellon Bank from lenders	Daily	Flat File	EAI		11
FMS	Data Mart	Lender related information	Monthly	N/A	Database Link		N/A



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
FMS	NSLDS	Special Allowance and Interest Benefit information	Quarterly	Flat File	FTP		N/A
FMS	PEPS	There are two files: - One file contains lender demographic data - One file contains lender portfolio data	Daily	Flat File	EAI		N/A

Table 14: Lender Payment Processing Data Exchange Table



2.15 Guaranty Agency Payment Processing

2.15.1 Guaranty Agency Payment Processing Overview

Guaranty agencies (GAs) receive payments from the Department of Education (ED) and make payments to ED based on their financial reporting process and through several payment mechanisms. GAs are paid by ED for default, bankruptcy, death, disability, closed schools, false certification, lender of last-resort-loan (default) claims, collection, and related activities based on their monthly submission of Guaranty Agency Financial Report (GAFR), also known as Form 2000. There are separate invoices for fees paid quarterly to the GAs; these include the Account Maintenance Fee (AMF) and the Loan Processing and Issuance Fee (LPIF). Three out of four GAs that are currently under Voluntary Flexible Agreements (VFAs) submit weekly invoices for payment. All four agencies under VFAs also receive VFA performance-based fees.

The Federal Family Education Loan Program's (FFELP) GA Financial Reporting process is based on GAFR (Form 2000) to request payments from and make payments to ED under the FFELP. Title IV, Part B of the Higher Education Act of 1965, as amended, authorized this program. The GAFR (Form 2000) has been in use since October 2000. The GAs are required to submit GAFR (Form 2000) to Financial Management System (FMS) on monthly, quarterly, and annual bases, with the monthly submissions reporting payment activities. GAs can submit GAFR (Form 2000) through either a front-end web-based form or a data file load.

The following series of steps refer to Figure 15: Guaranty Agency Payment Processing Process Flow. For more information, please refer to Section 2.15.2 – Guaranty Agency Payment Processing Process Flow.

Steps 1 to 4: GAFR (Form 2000) Online Submission

A GA completes the web-based GAFR (Form 2000) at the end of each month in order to report financial information for payment acceptance. The GA enters information concerning reinsurance claims, collections on defaulted loans, and some non-payment activity over the monthly period. The GA then submits the monthly financial report to Federal Student Aid's Office of the Chief Financial Officer (FSA CFO) for acceptance. There are hard and soft edits built into the online form, so the GA cannot submit the form unless those edits have been approved. Once the financial report is successfully submitted, a notification email is sent to the FSA representative, as well as to the GA user who submitted the financial report.

Steps 5 to 10: Review of GAFR (Form 2000) by FP Services

FSA CFO personnel review the form. They can either accept the report for payment, or reject the data, thereby returning it for further processing. FSA CFO and GAs use the ED comments and GA comments fields on the form to exchange information. If FSA CFO rejects the financial report, they enter a comment to explain the reason for the rejection, and a rejection email is sent to the GA. The GA reviews the reason for the rejection, makes necessary changes, provides a comment in the GA Comments Field, and then re-submits the form to the FSA CFO. This process continues until the submission is accepted in FMS.



Step 11: FP Services Accepts the Form

Once FSA CFO accepts the GAFR (Form 2000), data from the form loads into the General Ledger (GL) and Accounts Payable (AP). When the form is accepted, an email is not sent to the GA notifying them that the report has been accepted; rather, the GA is notified of acceptance when the invoice is approved for payment in the AP module.

Steps 12 to 19: ED Pays GAs

When the invoice is approved, GAFR (Form 2000) entries are mapped into proper accounting transactions. GL entries are recorded and AP invoices are created for each GA. Once approved, invoices are batched and reported to ED's Office of the Chief Financial Officer (ED CFO). ED CFO then sends them to the Department of the Treasury for actual disbursement to the GAs. After the disbursements are made, the Department of the Treasury sends confirmation back to FMS via ED CFO. The appropriate accounting updates occur in General Ledger.

Steps 20 to 28: GAFR File Transfer Submission

This functionality will be available to GAs in April of 2004. The GA will be able to submit its GAFR (Form 2000) via File Transfer Protocol (FTP). After creating the file, the GA will submit it to FSA through the Student Aid Internet Gateway (SAIG). Standard FTP checks will occur to determine that the file is uncorrupted. If there are any extract errors or errors with load to FMS, an error notice will be sent to the GA and the GA must resubmit the file. Once the submission is accepted, an email will be sent to the GA user and to the FSA CFO, notifying them of a successful submission. The FSA will process the Financial Report in the same manner as Financial Reports that were manually entered into the web-based form, as described in Steps 5 to 19.

Step 29: Voluntary Flexible Agreements (VFAs)

Four GAs participate in ED's Voluntary Flexible Agreement (VFA) initiative. These four agencies are American Student Assistance, California Student Aid Commission, Great Lakes Higher Education Guaranty Corporation, and Texas Guaranteed Student Loan Corporation. A VFA incorporates and modifies the guaranty agreements under section 428 (b) and (c) of the HEA, and is intended to enhance program integrity, increase cost efficiencies, and improve the availability and delivery of student financial aid.

VFA offers different payment models to the participating agencies. Three of the four agencies submit weekly invoices. The processing of these invoices is slightly different from the processing of the monthly GAFR (Form 2000). The data in the weekly invoices is not subjected to edits. FMS matches weekly data to monthly data in GAFR (Form 2000) and the reported amounts must reconcile. If there is a negative balance in the AP module, an invoice is created to offset the negative balance. An accounting file, but not a payment file, is then forwarded to ED CFO.

Invoices for the VFAs' performance-based fees are processed in the same way as the GAFR (Form 2000).



Steps 30 to 33: Calculation of Account Maintenance Fees (AMF) and Loan Processing and Issuance Fees (LPIF)

ED is required to pay AMFs to GAs each year for servicing the student loans in the FFELP. FSA has chosen to make the payments every quarter. In the first three quarters of a fiscal year, an estimated amount is paid as an advance based on the past year's history. The final amount is adjusted in the fourth quarter, based on the outstanding principal balance on open loans at the end of the current year.

To facilitate this process, the National Student Loan Data System (NSLDS) computes the outstanding principal balance for open loans in each GA's portfolio and transmits the information to FMS once a year at the end of the fourth quarter (the process is scheduled to run on the 45th day following the end of the fiscal year). Using these values, FMS then calculates the AMF total for the year. The difference between the AMF total and the amounts paid in the previous three quarters is determined by FMS and subsequently paid to the GAs. One quarter of the total AMF paid during the current year is then paid as an advance in the subsequent three quarters of the following year.

ED is also required to pay LPIF to GAs each quarter to offset the costs of opening student loans in the FFELP.

In order to facilitate this process, NSLDS computes the disbursement amounts and LPIF for each GA and transmits this information to FMS once per quarter (the process is scheduled to run on the 45th day following the end of the fiscal quarter). Based on these figures, FMS generates LPIF payments for the GAs.

NSLDS transmits the back-up detailed loan level data to the GAs, to substantiate the AMF and LPIF computations.

NSLDS Reasonability Process – Oversight Function

The NSLDS Reasonability process is not a part of GA Payment Processing and as such is not depicted on the process flow. However, this process is an important oversight function.

GAs provide the loan detail data feed to NSLDS and submit summary loan portfolio information on GAFR (Form 2000) directly to FMS. The NSLDS Reasonability process is a quality assurance measure that verifies that the data reported on GAFR (Form 2000) is reasonable. The NSLDS Reasonability process occurs quarterly and annually.

FSA creates a quarterly detail loan portfolio data extract to support the monitoring of GAFR Payment Reasonability. The quarterly reasonability process is scheduled to run on the 60th day following the end of the fiscal quarter. This accommodates the 90 days from the start of the quarter required by the GAs to submit their GAFR (Form 2000) and an additional 60 days required for processing of the GAFR (Form 2000) data.

FSA also creates a yearly detail loan portfolio data extract as part of the job stream to support the GAFR Monitoring GA reasonability. This process is scheduled to run in "default" mode on the 60th day following the end of the fiscal year.



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Both processes may also be initiated for a single GA or for all GAs if FSA determines such a re-computation is required. The detailed data is stored on NSLDS and is available for transmission to the GAs upon request.

If the results of the Reasonability process indicate issues with a GA's financial reporting, that GA will be reviewed by the Department. For that reason, GAs must maintain independent, detailed records to support each entry on the GAFR (Form 2000), and be able to reconstruct the entries back to individual loan, borrower or lender levels, or to specific GA-level transactions. This includes keeping accurate records of reinsurance payments and collections on defaulted loans at both the loan and borrower level. ED's instructions to the GAs state that records must be available for verification by the Secretary of Education or other authorized representatives of the U.S. Government.



2.15.2 Guaranty Agency Payment Processing Process Flow

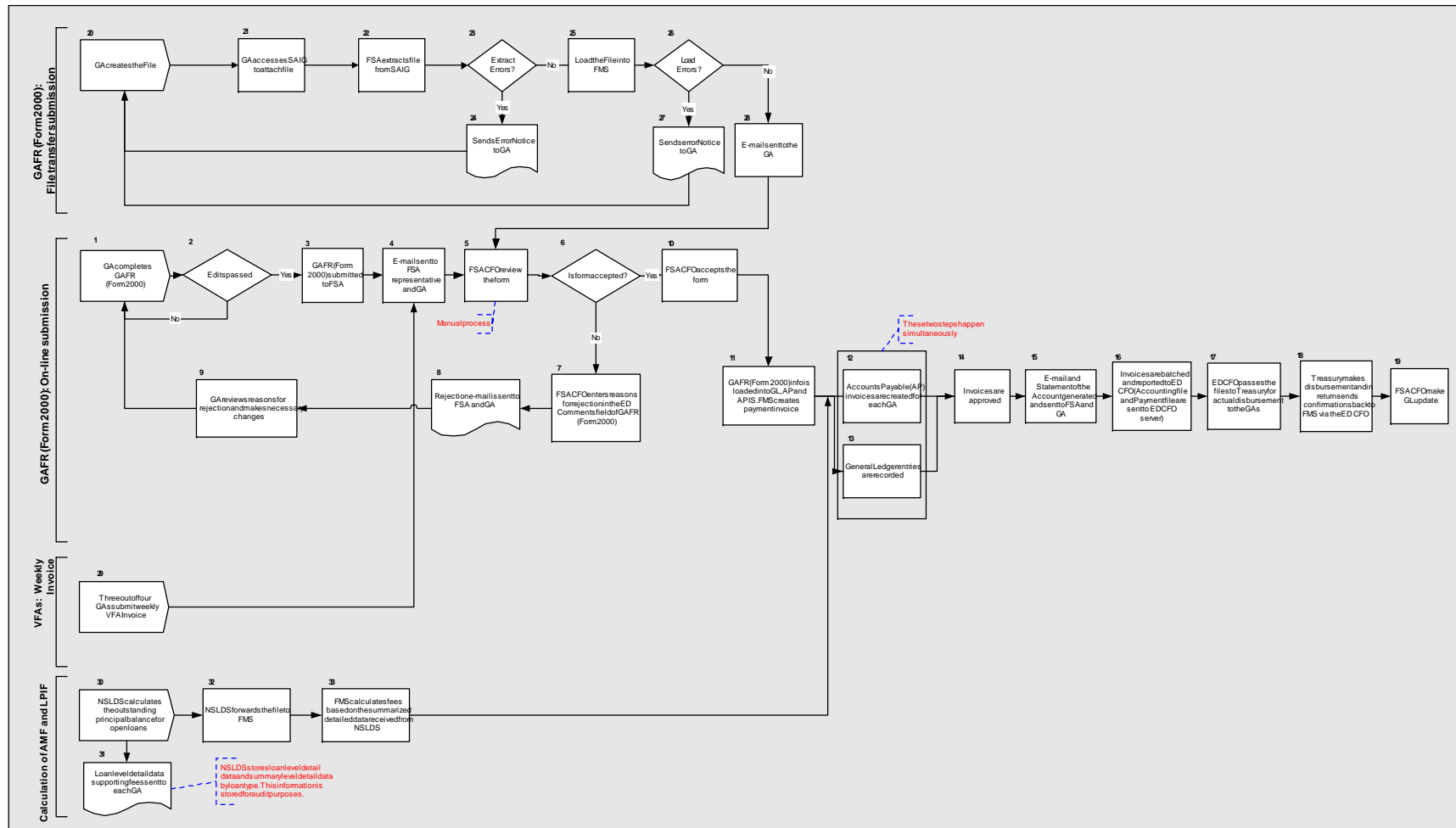


Figure 15: Guaranty Agency Payment Processing Process Flow



2.15.3 Guaranty Agency Payment Processing Data Exchange Table

The following table includes the data exchanged during the Guaranty Agency Payment Processing. This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any details surrounding the transfer, and the corresponding process flow step in Figure 15: Guaranty Agency Payment Processing Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Guaranty Agency	FMS	GAFR (Form 2000) and VFA custom GAFR (Form 2000) extensions: Payment Financial Data sent monthly (weekly for VFAs) and non-payment financial data sent quarterly and annually.	Weekly, Monthly, Quarterly, Annually	Web Form or Flat File	Web Interface or FTP		1
FMS	ED CFO	GAFR (Form 2000) Invoices are batched and forwarded to ED CFO - accounting file and payment file.	Monthly	Flat File	FTP		16
ED CFO	Treasury	Accounting file and payment file created based on the data in GAFR (Form 2000).	Monthly	Flat File	FTP		17
Treasury	ED CFO/FMS	Confirmations of disbursement are sent to FMS via ED CFO.	Monthly	Flat File	FTP		18



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From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
NSLDS	FMS	AMF: Original Principal Balance of all open loans in each GA's portfolio is sent to FMS so the Account Maintenance Fee can be calculated.	Annually	Flat File	FTP		32
NSLDS	FMS	LPIF: Guaranty Agency disbursement amount sent to FMS so the Loan Processing Issuance Fee can be calculated.	Quarterly	Flat File	FTP		32

Table 15: Guaranty Agency Payment Processing Data Exchange Table



2.16 Cohort Default Rate Calculations for Lenders and Guaranty Agencies

2.16.1 Cohort Default Rate Calculations for Lenders and Guaranty Agencies Overview

A cohort default rate (CDR) is defined as the percentage of a school's student borrowers entering repayment on Federal Family Education Loan Program (FFELP) or Federal Direct Loan Program (FDLP) loans during a cohort fiscal year who defaulted on those loans during the same or following fiscal year. Financial Partner (FP) Services calculates a Federal Family Education Loan (FFEL) cohort default rate for each school participating in the FFELP or FDLP at the beginning of the fiscal year, whether or not the school actually had student borrowers entering repayment on Stafford or Supplemental Loans for Students (SLS) loans during that fiscal year. If there are no borrowers at the school, FP Services determines if an average rate should be calculated (if FP Services determines that the average rate should not be calculated, then there is a zero rate).

FFEL cohort default rates – and a series of increasingly stringent school requirements and limitations based on those rates – were added to federal regulations in 1989. The purpose of these provisions was to reduce the overall default rate in the federal student loan program. The 1992 Reauthorization of the Higher Education Act of 1965, as amended, introduced FFEL cohort default rates for lenders and loan holders. In addition, the Omnibus Budget Reconciliation Act of 1993 expended default rate provisions.

Cohort default rates are calculated for schools, originating lenders, subsequent holders, and guaranty agencies (GAs). There are also national and regional cohort default rates that are calculated based on the school cohort default rates. Cohort default rates for originating lenders, subsequent holders and GAs are calculated based on their respective lender ID (LID) or GA codes. Each assigned number identifies a separate lender or GA on record at the Department of Education (ED). The LID provides the GAs with the means of reporting loan activity.

The following series of steps refer to Figure 16: Cohort Default Rate Calculations for Lenders and GAs Process Flow. For more information, please refer to Section 2.16.2 – Cohort Default Rate Calculations for Lenders and Guaranty Agencies Process Flow.

Steps 1 to 2: Calculation of Draft Cohort Default Rates

GAs prepare data that reflect activity on the loans and electronically report them to the National Student Loan Data System (NSLDS). This data is used for calculation of the cohort default rates. If the lender has any questions about the data they are instructed to first contact the GA that supplied the data to ED.



The formula for calculating the cohort default rate is as follows:

$$100 \times \frac{\begin{array}{c} \# \text{ of students who entered repayment on their loans in the given FY} \\ \text{and defaulted in the same or the following fiscal year} \\ \text{(Numerator)} \end{array}}{\begin{array}{c} \# \text{ of students who entered repayment on their loans in the given FY} \\ \text{(Denominator)} \end{array}}$$

Loans included in the calculation of cohort default rates are Subsidized Federal Stafford, Unsubsidized Federal Stafford, Federal SLS, and Federal Consolidation Loans that repaid Federal Stafford or Federal SLS loans. Loans made under a Lender-of-Last-Resort program are not used in the calculation.

NSLDS calculates draft cohort default rates each January by executing an SQL procedure. Once the rates are calculated, NSLDS formats the information and transfers it to Postsecondary Education Participants System (PEPS) in a flat file via File Transfer Protocol (FTP). PEPS receives and stores the draft cohort default rates. The rates are also manually forwarded to FP Services.

Steps 3 to 6: Review of Cohort Default Rates

Once the draft cohort default rates have been calculated for lenders and GAs they have the opportunity to review them. Lenders and GAs can view their rates on the web, but only GAs receive a draft cohort default rates letter each February.

At this time, lenders and GAs can also download their loan record detail report from the NSLDS. The loan record detail report is an extract from the loan records that form the basis for calculating lender or GA cohort default rates.

Steps 7 to 11: Analysis of Draft Cohort Default Rates by FP Services

FP Services review and analyze draft cohort default rates including data irregularity. In order to do so, FP Services utilizes PEPS and NSLDS. They can also review the file on GA rates that the NSLDS emails to FP Services.

FP Services compare draft cohort default rates with the former cohort default rates for each GA. Specifically, they make the comparison to see if there are any significant percentage variances.

If there is a variance significant, FP Services hold a conference call with the appropriate GA. The purpose of the call is to determine if there are any issues regarding the quality of data or reporting.

There are no consequences for the lenders and GAs for having high cohort default rates. However, since lenders and GAs use their cohort default rates for marketing purposes it is within their best interest to have low cohort default rates.



Lenders and GAs may challenge their draft cohort default rates. If there is a challenge to the draft cohort default rates, lenders and GAs work together to correct the data. They can send the new data to the NSLDS that will help them improve their rates.

Step 12 to 18: Calculation and Issuance of Official Cohort Default Rates

NSLDS calculates official cohort default rates during July or August and then forwards them to PEPS.

FP Services releases the official cohort default rates to the public in September. Lenders are able to view their official rates on the web. GAs receive an official cohort default rates letter, also known as a Press Package, via the mail. Both lenders and GAs can request the loan record detail report from the NSLDS.

Lenders and GAs may decide to challenge their official cohort rates based on erroneous data. The Department prescribes the following process for data correction in the Common Manual:

- 1) Lenders or holders are urged to request back-up data (loan record detail report) promptly from the NSLDS website if they believe their cohort default rates were calculated based on incorrect data.
- 2) After reviewing the back-up data, the lender or holder should submit the appropriate documentation to the GA in support of its contention that the data is incorrect. Such documentation should include the borrower's name, social security number, and the nature of the error in each case. Supporting documentation could include copies of the guarantor's notice of a change on the Student Status Confirmation Report (SSCR), canceled checks, or copies of other pertinent information. To ensure timely processing of the request, borrowers should be listed in social security number order. A lender or holder should identify the cohort year to which the corrections apply. An official of the lender or holder, who is authorized to act on their behalf in this regard, should sign all requests to the GA for a correction.
- 3) The GA should analyze a lender or holder's request for data correction and determine whether it will agree with or deny the request for a correction.

When the GA has completed its analysis of the request for data correction, the agency must notify lender or holder of the conclusions. A copy of the letter from the GA agreeing with or denying the data correction must be sent to the FP Services. After receiving the agency's response, the lender should inform ED, in writing, whether it agrees with the agency or believes that the agency is wrong. Based on these submissions, ED will make the final decision on the requested data correction and will notify the appropriate lender or holder and GA of its determination. If FP Services analyzes the new information and they deem the new information to be valid, they change the official rate in NSLDS.



2.16.2 Cohort Default Rate Calculations for Lenders and Guaranty Agencies Process Flow

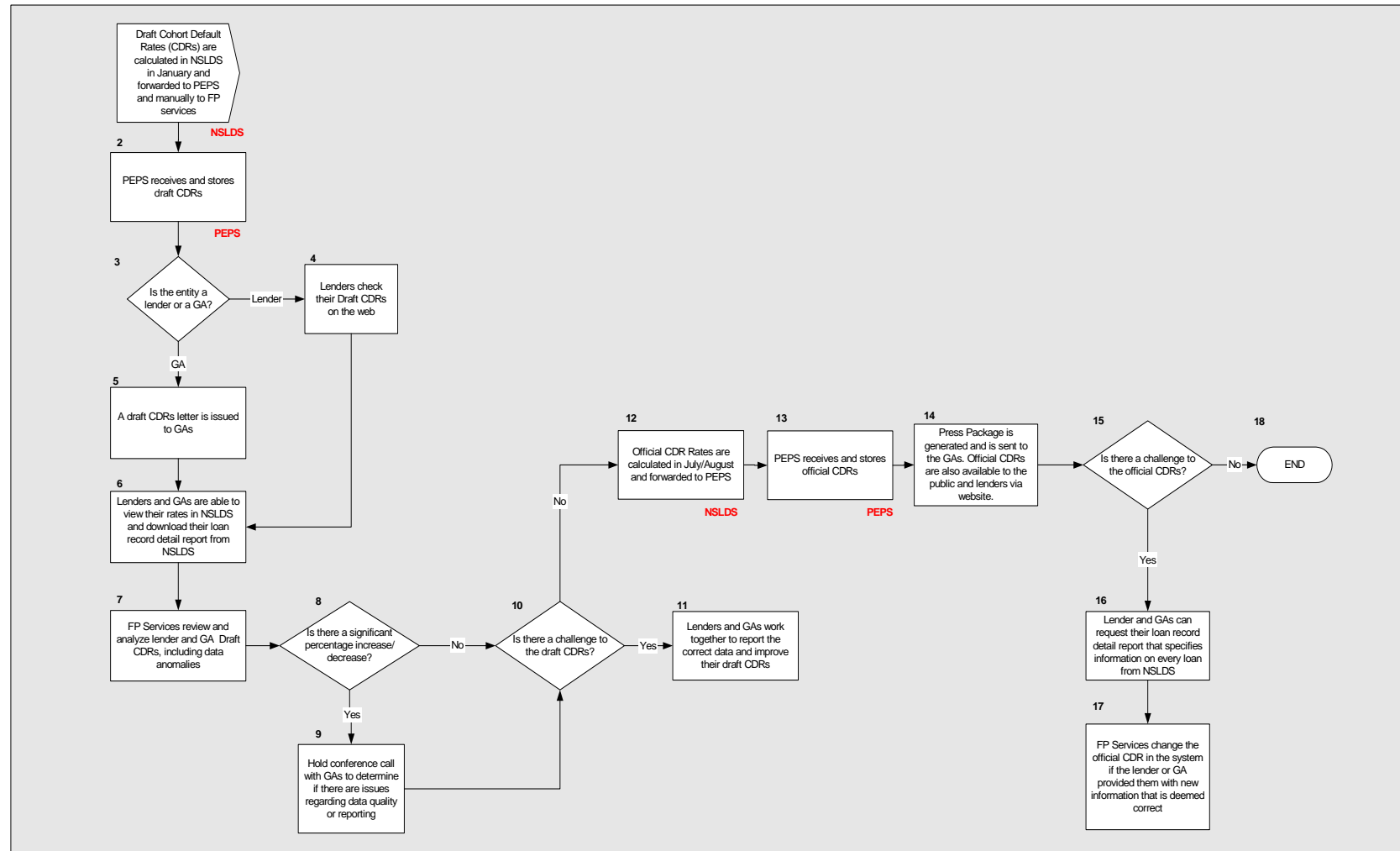


Figure 16: Cohort Default Rate Calculations for Lenders and GAs Process Flow



2.16.3 Cohort Default Rate Calculations for Lenders and Guaranty Agencies Data Exchange Table

The following table includes the data exchanged during the Cohort Default Rate Calculation process for lenders and guaranty agencies (GAs). This information includes the entities sending and receiving the data, the frequency of data exchange, the file type, the transfer method used, any details surrounding the transfer, and the corresponding process flow step in Figure 16: Cohort Default Rate Calculations for Lenders and GAs Process Flow during which the transfer occurs.

From	To	What is Transferred	Frequency	File Format	Transfer Method	Details	Corresponding Process Step
Guaranty Agency	NSLDS	Guaranty agency send FFEL data that reflects activity on the loans (this data includes limited eligibility information such as academic level and enrollment period)	Monthly	Flat File (Tape) or Flat File	Mail or SAIG		N/A
NSLDS	PEPS	Draft cohort default rates	Annually	Flat File	FTP		1
NSLDS	FP Services	Draft cohort default rates	Annually	Paper Form	Mail		1
FP Services	Guaranty Agency	Draft cohort default rates letter	Annually	Paper Form	Mail		5
NSLDS	PEPS	Official cohort default rates	Annually	Flat File	FTP		12
FP Services	Guaranty Agency	Press Package that includes official cohort default rates	Annually	Paper Form	Mail		14

Table 16: Cohort Default Rate Calculation for Lenders and GAs Data Exchange Table



3 Next Steps

The next phase of work will focus on gathering and documenting the Financial Partner Channel Eligibility & Oversight Requirements (Deliverable 147.1.3) for the IPM solution. This effort will document the high-level requirements for the Financial Partner Eligibility & Oversight portion of the IPM Framework as seen in Figure 1: FSA Integrated Partner Management (IPM) Framework.

As-is requirements will be developed based on the current-state processes documented in this deliverable. Each process will be analyzed to understand what Financial Partner (FP) Services needs in order to continue to perform their daily functions. While these requirements will be validated by Subject Matter Experts (SMEs) within FP Services, they will not be the main focus of the requirements gathering working sessions. The main focus of the sessions will be on documenting to-be requirements that will minimize the gaps and barriers that FP Services encounter as they do their job today. These requirements, coupled with the as-is requirements, will then be validated with attendees of the working sessions (comprised of DC based SMEs well as representatives from the FP Services Regional Offices) as well as key FSA stakeholders and business owners.

After the Financial Partners Channel Eligibility & Oversight Requirements (Deliverable 147.1.3) is complete, FSA will come to a decision point as to whether functionality that addresses the eligibility and oversight processes for financial partners will be absorbed into the IPM solution.



Appendix A: Glossary of Terms

Term	Definition
Automated Clearing House (ACH)	The Automated Clearing House is a secure, private electronic payment transfer system that connects all U.S. financial institutions. Direct paycheck deposits and debit card purchases are two examples of electronic fund transfers that go through this network.
Account Maintenance Fee (AMF)	Account Maintenance Fee is a fee that the Department of Education pays to guaranty agencies each year for servicing the Student Loans in the FFEL Program.
Accounts Payable (AP)	Accounts payable are amounts owed to customers on account.
Accounts Receivable (AR)	Accounts receivable are amounts owed by customers on account.
Administrative Wage Garnishment (AWG)	Process whereby an employer withholds amounts from an employee's wages and pays those amounts to the employee's creditor in satisfaction of a wage garnishment order issued by the creditor.
Aid Application	Applying for the various types of financial aid provided by FSA that is available to interested parties who qualify based on certain criteria. The FAFSA is completed when applying for aid.
Aid Eligibility	An applicant for Federal Student Aid qualifies for financial aid. Based upon certain qualifications, an applicant makes a decision about accepting financial aid.
Aid Origination and Disbursement	Origination involves the collection of data and entering it into origination records for Direct Loans and Pell Grants. The data is the basis for making a loan for the Federal Direct Loan program, or establishing eligibility for a Pell Grant. Disbursement is the process by which Title IV program funds are paid to a student or parent borrower. A school may pay the student or parent directly or credit a student's school account.
Borrower Services	Borrower Services is comprised of the Direct Loan Servicing Group, Direct Loan Consolidation Group, Debt Collections Group, and the Portfolio Management Group.
Cohort Default Rate (CDR)	A cohort default rate is defined as the percentage of a school's student borrowers entering repayment on Federal Family Education Loan (FFEL) or Federal Direct Loan Program (FDLP) during a cohort fiscal year who defaulted on those loans during the same or following fiscal year.
FSA Office of the Chief Financial Officer (CFO)	FSA CFO is responsible for determining and keeping records of the eligibility of financial partners. FSA CFO and Financial Partner Services use the Financial Management System to conduct financial administration of FSA transactions.



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Term	Definition
Case Management and Oversight (CMO)	Case Management and Oversight (CMO) is responsible for monitoring the delivery of approximately \$22 billion in Title IV funds to over 30,000 institutions and their branches/locations annually. School eligibility for Title IV funding and school certification of approximately \$29 billion in Title IV student loans funded through the FFEL program are also monitored by CMO.
Cost Of Attendance (COA)	The total amount a student must pay to attend school for one academic year, including tuition, room and board, books, supplies, transportation, and personal expenses. A college's Financial Aid Office determines this figure.
Common Origination and Disbursement (COD)	Common Origination and Disbursement (COD) receives and validates schools' Pell Grant and Direct Loan disbursement information at the student level.
Contracting Officer's Representative (COR)	Contracting Officer's Representative (COR) acts as a liaison between the Department's contractors and the Contracts and Purchasing Operations (CPO) for a specific contract. The responsibilities of the COR include, but are not limited to: <ul style="list-style-type: none"> • Reviewing periodic progress reports; • Offering possible solutions to problems; • Maintaining records; and • Monitoring invoices and schedule deadlines.
Certified Public Accountant (CPA)	Certified public accountant is an individual who has received state certification to practice accounting.
Competitive Performance and Continuous Surveillance (CPCS)	A statistic used by Financial Partner Services to measure Private Collection Agency performance.
Central Processing System (CPS)	The Central Processing System (CPS) receives the FAFSA when a potential grant recipient or borrower applies for Title IV Aid. CPS performs eligibility checks, calculates aid packages, and distributes the eligibility information to students and Trading Partners.
Common Review Initiative (CRI)	Common Review Initiative is currently being developed by a group of 31 guaranty agencies. The CRI is a combined Program Review conducted by GA representatives.
Debt Collection Services (DCS)	Debt Collection Services manage collections for defaulted loans and grant overpayments. This includes receiving assigned loans, sending notifications, reporting, and performing other collection activities.
Direct Loan Consolidation System (DLCS)	The Direct Loan Consolidation System (DLCS) receives borrowers' applications to consolidate student loans from multiple sources into one consolidated Direct Loan. DLCS certifies the underlying loan payoff amounts and initiates the payoff transactions.
Direct Loan Origination System (DLOS)	DLOS is a retired system that received and validated Schools' Direct Loan origination and disbursement information at the student level. COD replaced this functionality.



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Term	Definition
Direct Loan Servicing System (DLSS)	The Direct Loan Servicing System (DLSS) receives all booked student loans from the origination system and maintains the loans for their remaining life. While borrowers are in school, in grace, or in repayment, DLSS performs function including placing the loan into repayment at the proper time, billing the borrowers, and tracking subsequent payments and delinquencies.
Debt Management Collection System (DMCS)	The Debt Management and Collection System (DMCS) receives and services defaulted debts and grant overpayments. When a loan is in default status, it is sent to DMCS for collections. DMCS also services some closed school awards, handles FISL and other claim processing.
Deferment	A deferment is a temporary period in which repayment of a loan is postponed. During a deferment, the borrower does not have to pay either principal or interest.
Department of Education (ED)	The U.S. Department of Education was established on May 4, 1980 by Congress in the Department of Education Organization Act (Public Law 96-88 of October 1979). The Department's missions are to: Strengthen the Federal commitment to assuring access to equal educational opportunity for every individual; supplement and complement the efforts of states, the local school systems and other instrumentalities of the states, the private sector, public and private nonprofit educational research institutions, community-based organizations, parents, and students to improve the quality of education; encourage the increased involvement of the public, parents, and students in Federal education programs; promote improvements in the quality and usefulness of education through Federally supported research, evaluation, and sharing of information; improve the coordination of Federal education programs; improve the management of Federal education activities; and increase the accountability of Federal education programs to the President, the Congress, and the public.
Destination Point Administrators (DPAs)	A Destination Point Administrator (DPA) is an individual designated by each Trading Partner at the point of enrollment into the FSA enterprise to have overall access to FSA systems and services as necessary. That person may then grant access to others as appropriate, and is responsible for everything that happens as a result.
Department of Treasury Financial Management System (DTFMS)	One of the key tools used by DTFMS to collect delinquent debt is the Treasury Offset Program (TOP). Under TOP, DTFMS matches a database of delinquent debtors against payments disbursed by Treasury offset or withholds federal payments to recipients who also owe delinquent debts. Lockbox reconciliation is also performed.
Department of Education Central Application Processing System (EDCAPS)	This system contains loan records such as the individual's name, address, Social Security number, eligibility codes, detailed and summary obligation data, reports of expenditures, and grant management data.
Expected Family Contribution (EFC)	The amount a family is responsible to contribute for the student's education. It is calculated by FSA based on income and other financial information. The EFC is used to help determine eligibility for Federal Pell Grant, Campus-Based, Federal Stafford Loan, and Federal Direct Loan awards.
Electronic Fund Transfer (EFT)	A form of payments transfer via electronic means.



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Term	Definition
Electronic Record Management (ERM)	FSA uses the ERM to store electronic records of Financial Partner audits.
Electronic Verification Certification (EVC)	Electronic methods (Online or FTP) used by the Direct Loan Consolidation Group to verify underlying FFEL loans with a FFEL lender during direct loan consolidation.
FAFSA (Free Application for Federal Student Aid)	The Free Application for Federal Student Aid (FAFSA) is an application form completed by a student who wishes to receive federal aid. This document serves as the foundation for all need analysis computations. The FAFSA gathers data to calculate the Expected Family Contribution (EFC), which is used to determine eligibility for Federal Pell Grant, Campus-Based, Federal Stafford Loan, and Federal Direct Loan awards.
Federal Direct Student Loan Program (FDLP)	<p>A federal program where the U.S. government (not a commercial lender) provides four types of education loans to student and parent borrowers directly through schools:</p> <ul style="list-style-type: none">• Federal Direct Stafford Loan (subsidized, for students),• Federal Direct Unsubsidized Stafford Loan (for students),• Federal Direct PLUS Loan (for parents), and• Federal Direct Consolidation Loan (for students and parents).
Federal Employee Salary Offset Program (FESOP)	A collections method employed by the Department of Education to collect on defaulted Title IV debts of Federal Employees. The borrower's employer, a Federal agency, withholds a pre-determined amount from a Federal employee's wages and pays the amount to the employee's creditor.
Federal Family Education Loan (FFEL)	The Federal Family Education Loan (FFEL) Program was implemented by legislation in 1965, formerly known as the Guaranteed Student Loan (GSL). Debts are assigned to the Department for default or assumed in a variety of conditions in the event an agency ceases to participate or operate. FFEL loans are offered through the FFEL program. If a school does not participate in Direct Loans, the funds for student loans are sent to the student from a bank, credit union, or other lender that participates in the FFEL program. The FFEL program offers Stafford Subsidized, Stafford Unsubsidized, PLUS loans, and Consolidation Loans.
Federally Insured Student Loan (FISL)	Prior to the development of the Stafford Loan Program, a student loan was known as a Federally Insured Student Loan. A FISL was guaranteed by the Federal Government.
Federal Student Aid (FSA)	The office within the Department of Education responsible for managing the federal student aid programs and processes.
FSA Financial Management System (FMS)	FSA's Financial Management System (FMS) is FSA's accounting system. It provides a single, centralized integrated financial management system for all financial activities within FSA.
Federal Student Aid Security Guidelines	Starting with the Federal Security Requirements, the FSA Security Guidelines dictate and direct specific adherence, policies, and performance of processes and systems within FSA.
Financial Management System Software (FMSS)	The Financial Management System Software (FMSS) is Department of Education's accounting system. This system has a General Ledger (GL) to GL interface with FSA's Financial Management System (FMS).



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Term	Definition
Financial Partner Data Mart (FPDM)	The FPDM provides financial partner related information to FSA employees and trading partners. It currently supports several key business areas within Financial Partner Services.
Financial Partner Services	Financial Partner Services is the group within FSA that works in partnership with guaranty agencies, lenders, servicers, trade associations, trustees, schools, and secondary markets to ensure access for students to Federal Student Loans particularly the FFEL program. In addition, Financial Partner Services work with State Grant Agencies on the LEAP/SLEAP grant program.
File Transfer Protocol (FTP)	A standard internet protocol used to exchange files between systems; it allows for the electronic transfer of data from one computer to another.
Guaranty Agency (GA)	A state agency or a private, nonprofit institution or organization that participates in the Federal Family Education Loan (FFEL) Program. A guaranty agency insures student loans for private lenders. On behalf of the U.S. Department of Education, the agency guarantees that lenders will receive payment on the loan if a borrower dies, becomes totally and permanently disabled, files certain types of bankruptcy, defaults, etc. Guaranty agencies are reimbursed by the federal government for all or part of the insurance claims they pay to lenders.
Guaranty Agency Financial Report (GAFR)	Guaranty Agencies (GAs) use the Guaranty Agency Financial Reporting (GAFR), formerly known as Form 2000, to report collection activities, claims reimbursement, and loan portfolio status.
Grant Administration and Payment System (GAPS)	The ED payment system that provides financial management support services for the Title IV funds delivery system. Functions supported by GAPS include planning grant awards, obligation of award authorizations, disbursing funds, and final grant closeout for Title IV programs.
General Ledger (GL)	The General Ledger contains the accounting records of all the financial transactions that occur on FMS.
Internal Revenue Service (IRS)	The Internal Revenue Service (IRS) is a federal agency responsible for enforcing US tax laws and collecting taxes. FSA interacts with the IRS during the collections process.
Interim Payment Process (IPP)	A payment update file transferred from FMS to GAPS.
Institutional Student Information Records (ISIR)	The ISIR contains the information reported on the FAFSA, as well as key processing results and National Student Loan Data System (NSLDS) Financial Aid History information. This record contains the student financial aid eligibility information and is sent to schools and state agencies.



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Term	Definition
Integrated Partner Management (IPM)	<p>This solution is envisioned as the future state entry point for Trading Partners within FSA's business process lifecycle. It is the common point where Trading Partners may apply to participate in Title IV programs. There are several functions and processes that comprise the core of the IPM solution including the following:</p> <ul style="list-style-type: none">• Integrated View Services• Enrollment Management• Eligibility Management• School On-Going Oversight• Financial Partner On-Going Oversight• Enterprise Routing Identifier (RID) Services• Profile & Demographics Management• Access Management
Lender Application Process (LAP) form	Prospective lenders use the LAP form to request enrollment in Title IV programs.
Lender Reporting System (LaRS)	Lenders submit Lender's Interest and Special Allowance Request and Report to the Department of Education (ED) via the LaRS. These forms report loan origination and lender fees related to the disbursement of new Federal Family Education Loans (FFEL) claims for interest and special allowance benefits.
Leveraging Education Assistance Partnership (LEAP)	A Title IV gift-aid program jointly funded by the federal government and participating states. It provides state scholarship or grant assistance to students who show financial need. Formerly called the State Student Incentive Grant (SSIG) Program.
Lender Identifier (LID)	Lender's identification number used to identify the institution participating in the FFEL program.
Loan Processing and Issue Fee (LPIF)	Department of ED payment to guaranty agencies for loan guarantees.
Loan Verification Certification (LVC)	Paper form methods used by the Direct Loan Consolidation Group to verify underlying FFEL loans with a FFEL lender during direct loan consolidation.
Loan Rehabilitation	After a borrower has made 12 consecutive monthly payments that are both reasonable and affordable, the loan will be reinsured. The borrower will then be eligible to have the loan purchased by a lending institution. Once a loan is rehabilitated, it will be taken out of default, the credit bureau reports made by the servicing agency will be deleted, the borrower will be able to repay the loan over a 9 year period, and will again be eligible for additional Title IV student financial aid funds.
Loan Repayment	Activities undertaken to repay a loan. The borrower is obligated to make payments to his or her loan.
Loan Servicing	Activities undertaken to maintain a loan. Applies to FFEL and Direct Loans, as well as Federal Perkins Loans.
Memorandum of Understanding (MOU)	Memorandum of Understanding is signed between Federal agencies outlining some mutually agreed upon activity.



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Term	Definition
National Directory of New Hires (NDNH)	<p>A process by which FSA sends a request to the NDNH database (managed by U.S. Department of Health and Human Services) to verify accurate address information for borrowers.</p> <p>The National Direct New Hire reporting is the process by which an employer reports information on newly hired employees to a designated state agency within 20 days. The New Hire Report, at a minimum, contains the employee's name, address and Social Security Number along with the employer's name, address and Federal Employer Identification Number.</p> <p>FSA can only use this information if the borrower's Adjusted Gross Income (AGI) is greater than \$16,000.</p>
National Student Loan Data System (NSLDS)	The National Student Loan Data System (NSLDS) is the U.S. Department of Education's central, integrated database for student aid. NSLDS stores Title IV data that is received from schools, guaranty agencies, and many internal FSA systems.
Offices of the Inspector General (OIG)	The Offices of Inspector General (OIG) were established by the Inspector General Act of 1978, as amended, as independent and objective organizations within Federal departments and agencies. The duties of the OIG include conducting and supervising audits and investigations relating to each department's programs and operations.
Office of Management and Budget (OMB)	Executive branch office that assists the President in the development and implementation of the budget, program, management and regulatory policies.
Organization Participation Agreement (OPA)	The OPA form is a legally binding document between the lender organization and the ED. Completing the OPA allows the lender to electronically exchange lender portfolio data with FSA's Financial Management System (FMS).
Office of Postsecondary Education (OPE)	The Office of Postsecondary Education (OPE) formulates federal postsecondary education policy and administers programs to improve access to quality postsecondary education in the United States.
Ombudsman	The Ombudsman resolves disputes from a neutral, independent viewpoint. The Federal Student Aid (FSA) Ombudsman informally conducts impartial fact-finding about customer complaints. The Ombudsman also works to bring about changes that will help prevent future problems for other student loan borrowers.
Private Collection Agencies (PCAs)	Private Collection Agencies provide collection services for defaulted student loan accounts.
Postsecondary Education Participants System (PEPS)	The Postsecondary Education Participants System (PEPS) is FSA's management information system of all organizations that have a role in administering Federal Student Aid or in other Higher Education Act programs.
Parental Loan Underwriting for Students (PLUS)	PLUS loans are available through the FFEL and Direct Loan Programs. Parents apply for PLUS loans to pay for education expenses of a child who is a dependent student enrolled at least half time in an eligible program at an eligible school.



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Term	Definition
Student Aid Internet Gateway (SAIG)	The SAIG contains a mailboxing system and database through which Trading Partners are able to send and receive documents such as the FAFSA, ISIR, etc.
Student Aid Report (SAR)	A report sent to students that contains information provided on the FAFSA as well as the Expected Family Contribution (EFC).
Special Leveraging Education Assistance Partnership (SLEAP) program	This is a Federal grant awarded annually to state agencies for students that require financial aid. This grant could also be used to pay for student oriented state programs.
Student Loan Marketing Association (SLMA)	A provider of education funding.
Subject Matter Expert (SME)	Experienced personnel on specific business processes.
Social Security Administration (SSA)	The Social Security Administration (SSA) is a federal agency used by FSA for information verification during loan originations.
Student Status Confirmation Report (SSCR)	A reporting process used by schools and their servicers to make updates to the National Student Loan Data System. This process is now known as Enrollment Reporting.
Structured Query Language (SQL)	SQL is a standard interactive and programming language for getting information from and updating a database.
Title IV Aid	<p>Federal financial aid programs for students attending postsecondary educational institutions, authorized under Title IV of the Higher Education Act of 1965, as amended (HEA). The U.S. Department of Education administers these programs. Title IV programs consist of:</p> <ul style="list-style-type: none"> • Academic Achievement Incentive Scholarship Program • Federal Pell Grants • Federal Supplemental Educational Opportunity Grants (FSEOGs) • Federal Work-Study (FWS) • Federal Perkins Loans • William D. Ford Federal Direct Loans • Federal Family Education Loan (FFEL) Program • Federal Consolidation Loans • Gaining Early Awareness and Readiness for Undergraduates Program (GEAR-UP) • Leveraging Educational Assistance Partnership (LEAP) Program [formerly State Student Incentive Grants (SSIG)] • Robert C. Byrd Honors Scholarships
Trading Partner	Entities that routinely do business with FSA through direct or indirect system interfaces, including schools, lenders, guaranty agencies, state agencies, and servicers.
Treasury Offset Program (TOP)	The Federal Treasury Offset Program is designed for the Department to provide certified debts that the Treasury can collect via offset of the borrower's Federal income tax refund, and other Federal payments, thereby reducing the outstanding balance due to the Department. Amounts that are offset by Treasury are reported to the Department via magnetic tape on a weekly basis.



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Term	Definition
Voluntary Flexible Agreement (VFA)	Currently four guaranty agencies have VFA's with ED. The purpose of the agreement is to incorporate and modify existing agreements to enhance program integrity and effectiveness.
Web Portals	FSA has a web portal with separate views for FSA's customer groups enabling authorized users to access information, link to existing systems, and participate in the delivery and management of the Federal student aid process. Each view is specific to the needs of FSA's core customer groups: Students (http://www.studentaid.ed.gov) Schools (http://sfa4schools.sfa.ed.gov) Financial Partners (http://www.fp.ed.gov)



Appendix B: Financial Partner Services As-Is Process Flows

Refer to the Appendix_B_Financial_Partners_Channel_As-Is_Process_Flows.vsd file.



Appendix C: Financial Partner Services Data Exchange Tables

Refer to the Appendix_C_Financial_Partners_Channel_Data_Exchange_Tables.xls file